TAXABLE NEW ISSUE
(Book Entry Only)

Standard & Poor's Rating: "A+"
See "RATING" herein.

In the opinion of Gilmore & Bell, P.C., Bond Counsel, stated interest on the Bonds as described herein is INCLUDED in gross income as interest for federal income tax purposes. Stated Interest on all the Bonds described herein is exempt from Missouri income tax. See "TAX MATTERS" herein.

MISSOURI DEVELOPMENT FINANCE BOARD

$48,370,000
(consisting of two series)

$34,340,000	**$14,030,000**
Taxable Infrastructure Facilities Revenue Bonds (City of Independence, Missouri - Crackerneck Creek Project) Series 2006A	**Taxable Infrastructure Facilities Revenue Bonds (City of Independence, Missouri - Crackerneck Creek Project) Series 2006B**

Dated: March 15, 2006 **Due: See Inside Cover Pages**

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 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 pages. Interest on the Bonds will be payable on each March 1 and September 1, beginning on September 1, 2006.

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

The Bonds will be payable and will be secured by, (i) an assignment and a pledge of Loan Payments made by the City, pursuant to the 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 Indenture. The City's obligation to make Loan Payments under the Financing Agreement will be secured by a mortgage on the Bass Pro Store described herein and an assignment of the rents payable by Bass Pro Outdoor World, L.L.C. under the Bass Pro Lease, all as more fully described herein. The City's obligation to make Loan Payments under the Financing Agreement will be secured by a subordinate pledge of certain moneys expected to be deposited in the Special Allocation Fund established for the Crackerneck Creek Project as more fully described herein. See "**SECURITY AND SOURCES OF PAYMENTS FOR THE BONDS.**"

THE BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE BOARD AND DO NOT CONSTITUTE AN INDEBTEDNESS OF THE STATE OF MISSOURI OR ANY POLITICAL SUBDIVISION THEREOF. 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. Certain legal matters will be passed upon for Bass Pro Outdoor World, L.L.C by Husch & Eppenberger, LLC, Springfield, Missouri. It is expected that the Bonds will be available for delivery through DTC in New York, New York on or about March 30, 2006.

PiperJaffray®

The date of this Official Statement is March 21, 2006.

MISSOURI DEVELOPMENT FINANCE BOARD

$34,340,000
Taxable Infrastructure Facilities Revenue Bonds
(City of Independence, Missouri – Crackerneck Creek Project)
Series 2006A

Maturity Schedule

Serial Bonds

Due March 1	Principal Amount	Interest Rate	Yield
2009	$340,000	5.30%	5.298%
2010	515,000	5.35	5.349
2011	1,260,000	5.45	5.449
2012	1,400,000	5.55	5.549

Term Bonds
$9,500,000 Term Bonds due March 1, 2017, 5.75% Yield: 5.749%
$21,325,000 Term Bonds due March 1, 2024, 6.00% Yield: 6.125%

$14,030,000
Taxable Infrastructure Facilities Revenue Bonds
(City of Independence, Missouri - Crackerneck Creek Project)
Series 2006B

Maturity Schedule

Term Bond

$14,030,000 Term Bond due March 1, 2026, 5.79% Yield: 5.79%

REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized by the Board, the City, Bass Pro 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, Bass Pro 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 Underwriter has reviewed the information in this Official Statement in accordance with, and as part of their responsibilities to investors, under the Federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. 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 or Bass Pro 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 HAS THE INDENTURE 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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Appendix A: Information Concerning the City of Independence, Missouri

Appendix B: Accountants' Report and Audited Financial Statements of the City of Independence, Missouri for Fiscal Year Ended June 30, 2005; Unaudited Financial and Operating Report for Period Ended January 31, 2006

Appendix C: Summary of the Bass Pro Lease

Appendix D: Definitions of Words and Terms and Summaries of Certain Legal Documents

Appendix E: Form of Opinion of Bond Counsel

Appendix F: Tax Increment Financing in Missouri

OFFICIAL STATEMENT

MISSOURI DEVELOPMENT FINANCE BOARD

$48,370,000
(consisting of two series)

$34,340,000	**$14,030,000**
Taxable Infrastructure Facilities Revenue Bonds (City of Independence, Missouri - Crackerneck Creek Project) Series 2006A	**Taxable Infrastructure Facilities Revenue Bonds (City of Independence, Missouri - Crackerneck Creek Project) Series 2006B**

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 D 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 bonds (separately, the "Series 2006A Bonds" and the "Series 2006B Bonds," and collectively the "Bonds"), (ii) the Board, (iii) the City of Independence, Missouri (the "City"), and (iv) the financing of a portion of the Crackerneck Creek Project more fully described herein (the "Project").

The Board

The Board is 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 Project

The proceeds of the Bonds will be loaned to the City pursuant to the Financing Agreement dated as of March 15, 2006 (the "Financing Agreement") between the Board and the City to finance a portion of the costs of the Project, to fund separate accounts in a Debt Service Reserve Fund for each of the Series 2006A Bonds and the Series 2006B Bonds and to pay the costs of issuing the Bonds, all as more fully described herein under the caption **"THE PROJECT."** The Project is part of the Crackerneck Creek Tax Increment Financing Project described herein.

The Bonds

The Bonds are being issued pursuant to the Act and the Bond Trust Indenture dated as of March 15, 2006 (the "Indenture") between the Board and Commerce Bank, N.A., Kansas City, Missouri (the "Trustee"), for the purpose of providing funds to make a loan to the City pursuant to the 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 (the "Loan Payments"), all as more fully described in the Financing Agreement and the Indenture. 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 Indenture and the Financing Agreement.

The Series 2006A Bonds and the Series 2006B Bonds are being issued on a parity with each other with respect to the security provided by the Deed of Trust and the Financing Agreement, and in all other respects.

Additional Parity Bonds

The Indenture provides for the future issuance of additional bonds ("Additional Parity Bonds") which, if issued, will rank on a parity as to the pledge of the Bass Pro Lease Payments and the Deed of Trust. See **"SECURITY AND SOURCES OF PAYMENTS FOR THE BONDS –Additional Parity Bonds"** and **"SUMMARY OF THE INDENTURE – Additional Parity Bonds"** in *Appendix D* hereto.

Security for the Bonds

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 Financing Agreement, and (2) certain other funds held by the Trustee under the Indenture and not from any other fund or source of the Board. Loan Payments under the 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 Bonds. Except as noted herein, all payments by the City under the Financing Agreement are subject to annual appropriation. Pursuant to the 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 Financing Agreement, including all Loan Payments payable thereunder.

To secure the City's obligations to make Loan Payments pursuant to the Financing Agreement the City will execute a Deed of Trust and Assignment of Rents (the "Deed of Trust") granting to the Trustee a first mortgage lien on the Bass Pro Store and assigning the Bass Pro Lease Payments described herein. Such mortgage lien will be subject to the occupancy rights of Bass Pro under the Bass Pro Lease described herein.

The City's obligation to make Loan Payments under the Financing Agreement will also be secured by a **subordinate lien** on the Incremental Tax Revenues as more fully described herein.

See **"THE BASS PRO STORE AND THE BASS PRO LEASE"** herein and **"SUMMARY OF THE BASS PRO LEASE"** in *Appendix C* hereto. The Deed of Trust secures only the Loan Payments with respect to the Bonds. See also **"SECURITY AND SOURCES OF PAYMENTS FOR THE BONDS – Mortgage on the Bass Pro Store"** and **"SUMMARY OF THE DEED OF TRUST"** in *Appendix D* hereto.

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.

Related Series of Bonds

The Board expects to issue at the request of the City approximately $90,000,000 in bonds to finance the City's obligations in connection with the Crackerneck Creek Project. See **"THE PROJECT – Related Series of Bonds."** The Board has previously issued $11,325,000 for the Project. The collateral for each series of bonds is different. Only the Bonds are secured by a first lien on the Bass Pro Lease Payments and the Deed of Trust. All series are secured by a first or second lien on Incremental Tax Revenues and an annual appropriation obligation of the City.

Bondowners' Risks

Payment of the principal of and interest on the Bonds is primarily dependent upon the City's decision to appropriate and to continue to appropriate sufficient moneys to make Loan Payments under the Financing Agreement. **See "BONDOWNERS' RISKS"** for a discussion of certain risks. There are numerous risks associated with the construction of the Bass Pro Store, the operation of the Bass Pro Store and the collection of the Bass Pro Lease Payments. **See "BONDOWNERS' RISKS"** for a discussion of certain of these risks.

Continuing Disclosure

The City has executed 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 status of construction of the Bass Pro Store, Bass Pro Lease Payments and Incremental Tax Revenues. A summary of the Continuing Disclosure Agreement is attached to this Official Statement in *Appendix D*.

Definitions and Summaries of Legal Documents

Definitions of certain words and terms used in this Official Statement are set forth in *Appendix D* of this Official Statement. Summaries of the Indenture, the City's Authorizing Ordinance, the Financing Agreement, the Deed of Trust and the Continuing Disclosure Agreement are included in this Official Statement in *Appendix D* hereto. A summary of the Bass Pro Lease is included in this Official Statement as *Appendix C* hereto. 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:

Peter D. Kinder, Chairman. The Honorable Peter Kinder is the Lieutenant Governor of the State of Missouri.

John D. Starr, Vice Chairman, term as a member expires September 14, 2007. Mr. Starr is President and Chief Executive Officer 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 a real estate broker and developer in Neosho, Missouri.

Nelson C. Grumney, Jr., Treasurer, term as a member expires September 14, 2008. Mr. Grumney is President and Chief Executive Officer of Neland Investment Management, LLC in St. Louis, Missouri.

Elizabeth T. Solberg, term as a member expires September 14, 2006. Ms. Solberg is an independent consultant in Kansas City, Missouri.

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

Paul S. Lindsey, term as a member expired September 14, 2003. Mr. Lindsey is employed with Alliance Energy, LLC in Lebanon, Missouri.

Richard J. Wilson, term as a member expires September 14, 2008. Mr. Wilson is Vice President of Jefferson Bank of Missouri in Jefferson City, Missouri.

L.B. Eckelkamp, Jr., term as a member expires September 14, 2007. Mr. Eckelkamp is Chairman of the Board of Bank of Washington in Washington, Missouri.

Troy L. Wilson, term as a member expires September 14, 2008. Mr. Wilson is President and CEO of Montgomery Bank in Sikeston, Missouri.

Gregory A. Steinhoff, ex-officio member. Mr. Steinhoff is the Director of the Department of Economic Development.

Fred Ferrell, ex-officio 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 Bond Indenture 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 Bond Indenture, 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 PROJECT

General Description of the Crackerneck Creek Project

On October 18, 2004, the City approved the Crackerneck Creek Tax Increment Financing Plan. Such approval established the Crackerneck Creek Redevelopment Area, designated such area as blighted, and designated Crackerneck Creek, L.L.C. as the developer for all projects in the Crackerneck Creek 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 (i) the Bass Pro Store described below, (ii) a minimum of 300,000 square feet of additional retail space and (iii) a hotel. Other than the Bass Pro Store none of the retail space is leased as of March 1, 2006.

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

The total amount of all bonds to be issued by the Board for this project is expected to be approximately $90,000,000. Proceeds of the bonds will fund reimbursable redevelopment project costs that are currently estimated to be approximately $73,600,000, plus all financing costs, capitalized interest, credit enhancement costs, if any, and adequate reserves. The bonds will be issued as either taxable bonds (such as the Bonds) or Tax-Exempt 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 delivery of the Pad for the Bass Pro store, pursuant to the terms and conditions of the Bass Pro Lease. The City expects to deliver the pad to Bass Pro concurrently with the delivery of the Bonds.

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 Tax-Exempt Bonds, and on a **subordinate basis**, the Bonds and any Additional Parity Bonds. The TDD has not yet been formed.

A concept site plan of the Project overlaid on an aerial photograph appears on the following page.

Eastland
Center
Prospect
Square

Sources and Uses of Funds

Sources of Funds:

	Series 2005C	Series 2006A	Series 2006B	Series 2006C
Principal amount of the Bonds	$11,325,000.00	$34,340,000.00	$14,030,000.00	$12,790,000.00
Reoffering Premium (Net or Discount)	9,832.95	(288,953.75)		290,716.70
Accrued Interest	12,256.25	84,070.52	33,847.38	26,645.83
Total sources of funds	$11,347,089.20	$34,135,116.77	$14,063,847.38	$13,107,362.53

Uses of Funds:

	Series 2005C	Series 2006A	Series 2006B	Series 2006C
Deposit to the Project Fund	$8,200,000.00	$25,000,000.00	$10,309,000.00	$10,007,008.00
Costs of Issuance *	388,208.55	735,351.34	352,595.76	247,473.97
Deposit to Capitalized Interest (CIF) Fund	1,614,124.40	4,881,694.91	1,965,404.24	1,547,234.73
Deposit to Debt Service Fund	12,256.25	84,070.52	33,847.38	26,645.83
Deposit to Debt Service Reserve Fund	1,132,500.00	3,434,000.00	1,403,000.00	1,279,000.00
Total uses of funds	$11,347,089.20	$34,135,116.77	$14,063,847.38	$13,107,362.53

*includes Underwriter's Discount.

In addition to the series summarized in these tables, the City anticipates the issuance of approximately $27,300,000 in additional bonds to fund approximately $20,000,0000 in remaining project costs. Such future series may be issued as either Additional Bonds or Tax Exempt Bonds (as described in the following paragraph).

Related Series of Bonds

The Board expects to issue approximately $90,000,000 in bonds to finance the City's obligations in connection with the Crackerneck Creek Project. On March 9, 2005, the Board issued its Infrastructure Facilities Revenue Bonds (City of Independence, Missouri - Crackerneck Creek Project) Series 2005C in the

principal amount of $11,325,000 (the "Series 2005C Bonds"). The Series 2005C Bonds were issued by the Board under a separate Bond Trust Indenture dated as of March 1, 2005 (the "Bond Indenture"). The Board loaned the proceeds of the Series 2005C Bonds to the City pursuant to a separate Financing Agreement dated as of March 1, 2005 (the "Financing Agreement"). The Series 2005C Bonds, together with a series of bonds being issued by the Board concurrently with the Bonds and designated as its Infrastructure Facilities Revenue Bonds (City of Independence, Missouri - Crackerneck Creek Project) Series 2006C, being issued in the aggregate principal amount of $12,790,000 (the "Series 2006C Bonds") together with any additional tax-exempt bonds issued to fund costs of the Project, are collectively referred to herein as the "Tax-Exempt Bonds." The Tax-Exempt Bonds will finance that portion of the Crackerneck Creek Project that is eligible for tax-exempt financing under Federal tax laws. The Bonds and the Tax-Exempt Bonds are separately and independently secured. The City's Loan Payments with respect to the Tax-Exempt Bonds are secured by a lien on the Bass Pro Store and the Bass Pro Lease Payments that is **subordinate** to the lien securing the Bonds under the Deed of Trust. The City's Loan Payments relating to the Tax-Exempt Bonds are also secured by an annual appropriation obligation of the City.

THE BASS PRO STORE AND THE BASS PRO LEASE

On June 16, 2004 the City entered into a Lease with Options with Bass Pro Outdoor World, L.L.C., a Missouri limited liability company ("Bass Pro"). The Bass Pro Lease was amended pursuant to the Amendment to Bass Pro Lease with Options dated December 20, 2004 and further amended pursuant to the Second Amendment to Lease With Options dated March 6, 2006. The lease and the amendments thereto are referred to herein as the "Bass Pro Lease" or the "Lease."

Pursuant to the Bass Pro Lease, the City will lease to Bass Pro approximately twenty (20) acres on which Bass Pro will construct a "Bass Pro Shops Outdoor World" retail store building containing not less than 150,000 square feet (the "Bass Pro Store"). Under the Lease, the City is responsible for constructing and making available to Bass Pro no less than 600 parking spaces adjacent to the Bass Pro Store at the City's sole cost. The Bass Pro Store will offer the general public retail sales of sporting goods, sporting equipment and sporting services primarily relating to fishing, hunting, camping and boats.

Under the Lease, Bass Pro is responsible for the construction of the Bass Pro Store. Pursuant to the Lease, the City has agreed to make available to Bass Pro $25,000,000 to pay the cost of a portion of such construction. Bass Pro is responsible for completing construction within 455 days of the date the City delivers a finished pad site to Bass Pro. Delivery of the pad is expected on March 31, 2006. In the event the pad is not delivered to Bass Pro by the expected delivery date, then the 455-day construction period will be extended by five days for each day after the expected delivery date that possession is not delivered to Bass Pro. In the event the pad is not delivered to Bass Pro by March 31, 2007, the Lease will automatically terminate and the City will be required to pay Bass Pro $1,000,000 for Bass Pro's loss of the opportunity to realize the benefits Bass Pro expected to realize pursuant to the Lease.

The initial term of the Lease is 20 years. Bass Pro has the option to renew the Lease for nine one-year periods, and three five-year periods. During the initial 20 year term, Bass Pro is required to pay the City rent equal to 2% of "Gross Sales," except for sales of boats, recreational vehicles, off-road vehicles and all-terrain vehicles, which Bass Pro is obligated to pay 1% with a maximum of $250 per such boat or vehicle sold. In addition, Bass Pro is obligated to pay "Minimum Percentage Rent" of $1,000,000 during each year of the initial term. All such rental payments are referred to herein as the "Bass Pro Lease Payments".

Pursuant to the Lease, Bass Pro covenants that it will open for business on the commencement date stated in the Lease and it will remain open and continuously operate under the Bass Pro trade name during the entire 20 year initial term (the "Operating Covenant Period"). Following the Operating Covenant Period, Bass Pro will have no obligation to remain open for business to the public.

During any of the nine one-year renewal options, Bass Pro will pay rent equal to $10 per year. However, if the TIF bond financing provided by the City in a maximum amount of $35,000,000 (the "Leased Premises TIF") has not been fully paid at the expiration of the initial term, then during each year thereafter (if any) until the Leased Premises TIF has been paid in full or until the expiration of the third one year renewal option (if exercised by Bass Pro), whichever occurs first, Bass Pro shall be obligated to pay $1,000,000 per year. During any of the three five year renewal options, Bass Pro will pay rent equal to 1% of Gross Sales in excess of $30,000,000, except for Gross Sales respecting sales of boats, recreational vehicles, off-road vehicles and all-terrain vehicles, which shall be 0.5% of such Gross Sales. The Leased Premises TIF includes the Bonds and Tax-Exempt Bonds, subject to a cap of $35,000,000.

As a result of the City's ownership, the land on which the Bass Pro Store will be located will be exempt from real estate taxes.

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

The Lease also requires the City to purchase, prepare and give to Bass Pro at no cost an approximate five acre parcel located near or adjacent to the Bass Pro Store to be used for the construction of a hotel containing at least 150 rooms (the "Hotel") and such other improvements thereon as desired by Bass Pro. Bass Pro has agreed that (subject to force majeure) it will cause the Hotel to be open for business within two (2) years of the opening date of the Bass Pro Store. Any sales generated from the Hotel will be excluded from Bass Pro's gross sales and will not be included in the calculation of rent due under the Bass Pro Lease. The Hotel will not be exempt from real estate taxes.

Under the Lease the City is required to construct at its cost and expense, concurrently with the construction of the Bass Pro Store an approximate 15-acre lake and an additional wilderness/habitat area of approximately 15 acres. The City park will include a waterfall and present a unique natural setting. The City is obligated to complete the lake and park no later than the opening of the Bass Pro Store.

See **"SUMMARY OF THE BASS PRO LEASE"** in *Appendix C* hereto.

SUBORDINATE LIEN ON INCREMENTAL TAX REVENUES

In addition to the assignment of the Bass Pro Lease Payments, the Deed of Trust and the City's annual appropriation obligation, the City's Loan Payments under the Financing Agreement are secured by a **subordinate lien** on the Incremental Tax Revenues. The Incremental Tax Revenues are pledged on a senior lien basis to secure the City's obligation to make loan payments with respect to the Tax-Exempt Bonds. **It is unlikely that any Incremental Tax Revenues will be available to pay the Loan Payments with respect to the Bonds or any Additional Parity Bonds.**

A general description of Tax-Increment Financing is contained in *Appendix F.*

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 for the detailed terms and provisions thereof.

General Terms

The Bonds are being issued in the principal amount shown on the cover page, are dated March 15, 2006, 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 page, 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 page. 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 each maturity of each series of the Bonds, each in the aggregate principal amount of such maturity, 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 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 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, Fixed Income Clearing Corporation and Emerging

Markets Clearing Corporation, (NSCC, FICC 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 and www.dtc.org.

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 principal or redemption price and interest on the Bonds 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.

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 2006A Bonds

The Series 2006A Bonds are subject to redemption and payment prior to maturity as follows:

Optional Redemption. The Series 2006A Bonds maturing on March 1, 2017 and March 1, 2024 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, 2016, 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 2006A Bonds maturing on March 1, 2017 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
2013	$1,550,000
2014	1,715,000
2015	1,890,000
2016	2,075,000
2017*	2,270,000

*Final Maturity

The Series 2006A Bonds maturing on March 1, 2024 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
2018	2,480,000
2019	2,705,000
2020	2,945,000
2021	3,210,000
2022	3,485,000
2023	3,775,000
2024*	2,725,000

*Final Maturity

The Trustee shall, in each year in which the Series 2006A Bonds are to be redeemed pursuant to the terms of this subsection make timely selection of such Series 2006A 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 2006A 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 2006A 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 2006A 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 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 2006A 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 2006A Bonds of the same maturity in chronological order or such other order as the City may designate, and the principal amount of Series 2006A 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 2006A Bonds of the same maturity, in the case of its election pursuant to clause (1), in respect to such mandatory redemption payment.

Series 2006B Bonds

The Series 2006B Bonds are subject to redemption and payment prior to maturity as follows:

Optional Redemption. The Series 2006B Bonds will be redeemable at any time, at the option of the City, as a whole or from time to time in part, at a redemption price equal to the greater of (i) 100% of the principal amount of such Series 2006B Bonds or (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at the Discount Rate, plus in each case accrued interest thereon to the date of redemption. The redemption price shall be calculated by the Independent Investment Banker.

"Discount Rate" means, with respect to any redemption date, the rate per annum equal to the semiannual equivalent yield to maturity of the Comparable Treasury Issue plus 0.125%, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

"Comparable Treasury Issue" means the United States Treasury security selected by the Independent Investment Banker as having a maturity comparable to the remaining term of the Series 2006B Bonds to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Series 2006B Bonds.

"Comparable Treasury Price" means, with respect to any redemption date, (i) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) on the third business day preceding such redemption date, as set forth in the daily statistical release (or any successor release) published by the Federal Reserve Bank of New York and designated "Composite 3:30 p.m. Quotations for U.S. Government Securities" or (ii) if such release (or any successor release) is not published or does not contain such prices on such business day, (A) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (B) if the Independent Investment Banker obtains fewer than three such Reference Treasury Dealer Quotations, the average of all such Quotations.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer at 5:00 p.m. on the third business day preceding such redemption date.

"Independent Investment Banker" means an independent investment banking institution of national standing appointed by the City; provided, that if the City fails to make such appointment, or if the institution so appointed is unable to make such calculation, such calculation will be made by Piper Jaffray & Co. or, if such firm is unable to make such calculation, by an independent investment banking institution of national standing appointed by the Bond Trustee.

"Reference Treasury Dealer" means any primary U.S. Government securities dealer in New York City, other than the Independent Investment Banker, selected by the Independent Investment Banker.

Mandatory Sinking Fund Redemption. The Series 2006B 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:

March 1	Principal Amount
2024	$1,340,000
2025	4,465,000
2026*	8,225,000

*Final Maturity

The Trustee shall, in each year in which the Series 2006B Bonds are to be redeemed pursuant to the terms of this subsection make timely selection of such Series 2006B 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 2006B 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 2006B 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 2006B 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 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 2006B 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 2006B Bonds of the same maturity in chronological order or such other order as the City may designate, and the principal amount of Series 2006B 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 2006B Bonds of the same maturity, in the case of its election pursuant to clause (1), in respect to such mandatory redemption payment.

Series 2006A Bonds and Series 2006B Bonds

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 applicable account of 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.

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 to be so 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 the Indenture under which the Board will assign and pledge to the Trustee (1) certain rights of the Board under the Financing

Agreement, including the right to receive Loan Payments with respect to the Bonds thereunder, and (2) the funds and accounts, including the money and investments in them, which the Trustee holds under the terms of the 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 Financing Agreement and certain other funds held by the Trustee under the Indenture and not from any other fund or source of the Board, and are secured under the Indenture and the Financing Agreement as described herein. Except as provided in the following paragraph, all payments by the City under the Financing Agreement are subject to annual appropriation.

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 Agreement

Under the Financing Agreement, the City is required to make Loan Payments to the Trustee for deposit into the Debt Service Fund in amounts sufficient to pay the principal of and interest on the Bonds 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 described 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

The 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. 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.

Mortgage on the Bass Pro Store

The City will own both the Bass Pro Store and the 20 acre parcel on which the store is located. Pursuant to the Financing Agreement the City will execute a Deed of Trust granting to the Trustee a first mortgage lien on the Bass Pro Store. Such mortgage lien will be subject to the rights of Bass Pro under the Bass Pro Lease described herein. Pursuant to the Deed of Trust the City will also assign as additional security for the Bonds the Bass Pro Lease Payments described herein. See **"THE BASS PRO STORE AND THE BASS PRO LEASE"** herein. The Deed of Trust and assignment of rents secures only the Bonds and any Additional Parity Bonds.

Debt Service Reserve Fund

Pursuant to the Indenture the Board will establish accounts within the Debt Service Reserve Fund created under the Indenture for each series of Bonds. Such accounts within the Debt Service Reserve Fund will be fully funded at the time of the issuance of the Bonds from the proceeds of the Bonds in an amount equal to the "Debt Service Reserve Requirement" which is applicable to each series. The Debt Service Reserve Requirement for the Series 2006A Bonds is an amount equal to $3,434,000. The Debt Service Reserve

Requirement for the Series 2006B Bonds is an amount equal to $1,403,000. Moneys in each series account of the Debt Service Reserve Fund shall only be available to fund a deficiency in the applicable account in the Debt Service Fund with respect to either the Series 2006A Bonds of Series 2006B Bonds, as applicable, and not any Additional Parity Bonds. Amounts in the applicable account of the Debt Service Reserve Fund are to be used to pay principal of and interest on the Series 2006A Bonds or Series 2006B Bonds to the extent of any deficiency in the account of the Debt Service Fund related to such series of Bonds and to retire the last Outstanding Bonds of that series. If Additional Parity Bonds are issued, the Board expects to fund a separate reserve for the Additional Parity Bonds.

Incremental Tax Revenues

The City's Loan Payments under the Financing Agreement are secured by a **subordinate lien** on the Incremental Tax Revenues. The Incremental Tax Revenues are pledged on a senior lien basis to secure the City's obligation to make loan payments with respect to the Tax-Exempt Bonds. **It is unlikely that any Incremental Tax Revenues will be available to pay the Loan Payments with respect to the Bonds or any Additional Parity Bonds.** See **"SUBORDINATE LIEN ON INCREMENTAL TAX REVENUES"** herein.

The Indenture

Under the Indenture, the Board will pledge and assign to the Trustee, for the benefit of the owners of the Bonds, all of its rights under the Financing Agreement, including all Loan Payments and other amounts payable under the 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 Bonds. See **"SUMMARY OF THE INDENTURE"** in *Appendix D* hereto.

Additional Parity Bonds

The Board from time to time may, at the written request of the City, authorize the issuance of additional bonds on a parity with the Bonds ("Additional Parity Bonds") for the purposes and upon the terms and conditions provided in the Indenture; provided that (1) the terms of such Additional Parity 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 a resolution adopted by the Board and an Ordinance adopted by the City; (2) the Board and 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 Parity Bonds and to extend the term of the Financing Agreement if the maturity of any of the Additional Parity Bonds would otherwise occur after the expiration of the term of the Financing Agreement; and (3) the Board and the City shall have otherwise complied with the provisions of the Financing Agreement and the Indenture with respect to the issuance of such Additional Parity Bonds.

The sole economic test for the issuance of Additional Parity 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 Parity Bonds. <u>This means that the City may issue or cause to be issued an unlimited amount of Additional Parity Bonds on a parity with the Bonds even if the Bass Pro Lease Payments or the subordinate lien on Incremental Tax Revenues are not sufficient to provide for the Loan Payments on any Outstanding Bonds, without regard to the proposed Additional Parity Bonds</u>. **For this reason prospective investors should not rely upon the Bass Pro Lease Payments or Incremental Tax Revenues as a source of repayment of the Bonds, but should instead evaluate the likelihood that the City will continue to appropriate moneys sufficient to make Loan Payments under the 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 D, 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 Financing Agreement and from certain other funds held by the Trustee under the 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.

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

The City's obligation to make Loan Payments under the Financing Agreement 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.

Risk Factors Relating to the Bass Pro Lease Payments

No Commencement of Construction of the Bass Pro Store. While grading of the site on which the Bass Pro Store will be located has begun, construction of the Bass Pro Store has not commenced. Bass Pro has guaranteed completion of construction of the Bass Pro Store once the finished pad site is delivered to Bass Pro. The City expects to deliver the completed pad on or about March 31, 2006. While the City expects to meet such date, there can be no assurance the City will be able to achieve this date. Under the Bass Pro Lease, Bass Pro must complete construction and open the store 455 days following delivery of the finished pad. Failure of the City to deliver the pad site as projected will delay the collection of Bass Pro Lease Payments. The City has budgeted approximately two and one-half years of capitalized interest on the Bonds that will provide the City a contingency for delays in delivery of the pad site.

The construction obligation of Bass Pro under the Bass Pro Lease permits delays for events beyond the control of Bass Pro or the contractor such as fire, windstorm, flood and earthquake, strikes, lockouts, labor troubles, inability to procure materials, failure of power or governmental restrictions. Such delays could delay the collection of Bass Pro Lease Payments.

Factors Impacting Bass-Pro Retail Sales. The Bass Pro Lease Payments are calculated as a percentage of sales, with a minimum payment of $1,000,000 per year. The retail sales industry is highly competitive. The City of Olathe, Kansas, has announced that it has completed negotiations with Bass Pro for the opening of a retail store approximately 30 miles from the Bass Pro Store. It is impossible to predict the competitive impact of such a store, should it open. While Bass Pro Stores in other locations have been successful, there can be no assurance that this Bass Pro Store will also be successful. Bass Pro has stores in St. Charles, Missouri (221 miles from Independence), Columbia, Missouri (118 miles from Independence) and Springfield, Missouri (165 miles from Independence). Bass Pro is also opening a store in Branson, Missouri on lake Taneycomo (239 miles from Independence). The Bass Pro Store in Springfield is the original Bass Pro store and is approximately 300,000 square feet. Bass Pro has a total of 33 stores nationwide and expects to open 16 within the next 24 months. Bass Pro also has a successful catalog sales operation.

Demand for retail goods, especially specialty 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 sales which may be realized from the Bass Pro Store.

Risk of Damage or Destruction. The partial or complete destruction of the Bass Pro Store, as a result of fire, natural disaster or similar casualty event, would adversely impact the collection of Bass Pro Lease Payments. Under the Bass Pro Lease Bass Pro is obligated to rebuild the Bass Pro Store in the event of damage or destruction.

No Appraisal of Bass Pro Store

The City does not have an appraisal of the current value of the property that will be subject to the Deed of Trust, nor does the City have an appraisal of the estimated value of such property upon completion of the Bass Pro Store. Consequently, no prediction can be made as to the amount that may be realized upon a foreclosure under the Deed of Trust and sale of such property.

Proposed Additional Parity Bonds

The sole economic test for the issuance of Additional Parity 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 Parity Bonds. This means that the City may issue or cause to be issued Additional Parity Bonds on a parity with the Bonds even if Bass Pro Lease Payments are not sufficient to provide for the Loan Payments relating to the Bonds, without regard to the proposed Additional Parity Bonds.

Enforcement of Remedies

The enforcement of the remedies under the Indenture, the Financing Agreement, the Deed of Trust and the Bass Pro Lease 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 Indenture

Certain amendments to the Indenture and the Financing Agreement 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 Indenture or the Financing Agreement or to secure the Bonds in the manner provided in the Indenture 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 to enter into the Indenture or the Financing Agreement or to secure the City's Loan Payments with respect to the Bonds in the manner provided in the Indenture, the Act or the City's right to enter into the Financing Agreement.

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. Certain legal matters will be passed upon for Bass Pro Outdoor World, L.L.C by Husch & Eppenberger, LLC, Springfield, Missouri.

TAX MATTERS

The following is a summary of the material federal income tax consequences of holding and disposing of the Bonds. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of holders subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the Bonds as a capital asset, tax-exempt organizations, individual retirement accounts and other tax deferred accounts, and foreign taxpayers), and, except for the income tax laws of the State of Missouri, does not discuss the consequences to an owner under state, local or foreign tax laws. The summary does not deal with the tax treatment of persons who purchase the Bonds in the secondary market at a premium or a discount. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Bonds.

The Bonds

Opinion of Bond Counsel. In the opinion of Gilmore & Bell, P.C., Bond Counsel, interest on the Bonds is *included* in gross income as interest for federal income tax purposes. However, based upon existing statutes, regulations, rulings and court decisions, it is Bond Counsel's opinion that stated interest on the Bonds is exempt from all Missouri income tax. Bond Counsel expresses no opinion whether original issue discount on any Bond is exempt from Missouri income tax.

Stated Interest. For federal income tax purposes interest payments on the Bonds will be includable in an owner's gross income as interest in accordance with such owner's method of accounting for tax purposes. A cash basis owner will include interest in income when received (or when made available for receipt, if earlier). An accrual basis owner will generally include interest in income when all events necessary to establish the right to receive such interest have occurred.

Original Issue Discount. Series 2006A Bonds maturing March 1, 2024, are offered for sale to the public at prices below the stated redemption prices at maturity of those bonds. However, based on the offering prices such discount should not be treated as original issue discount for federal income tax purposes because it does not exceed the de minimis amount described below.

Following is a general discussion of the federal income tax consequences of the purchase, ownership, and disposition of bonds issued with original issue discount. Purchasers of bonds issued at a discount to their stated redemption price ("OID Bonds") should consult their own tax advisors to determine the specific treatment of original issue discount for federal income tax purposes and to determine the state and local tax consequences of owning such bonds.

Under Section 1273 of the Code and applicable Regulations, original issue discount is the excess of the stated redemption price at maturity of a bond over its issue price, if such excess equals or exceeds a de minimis amount equal to ¼ of 1% of the bond's stated redemption price at maturity multiplied by either (i) the number of complete years to stated maturity from its issue date, or (ii) in the case of a bond providing for the mandatory, or in certain cases optional, payment prior to stated maturity of any amount other than qualified stated interest (as defined below), the weighted average maturity of such bond. The issue price of each bond in an issue of bonds equals the first price at which a substantial amount of such bonds are sold to the public (ignoring sales to bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters). The stated redemption price at maturity of a bond is the sum of all payments provided by the bond other than "qualified stated interest" payments. The term "qualified stated interest" generally means stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate.

The owner of an OID Bond must include original issue discount in income as ordinary interest for federal income tax purposes as it accrues under a constant yield method in advance of receipt of the cash payments attributable to such income, regardless of such owner's regular method of tax accounting. In general, the amount of original issue discount included in income by the initial owner of an OID Bond is the sum of the daily portions (as defined below) of original issue discount with respect to such OID Bond for each day during the taxable year (or portion of the taxable year) on which such owner held such OID Bond. The "daily portion" of original issue discount on any OID Bond is determined by allocating to each day in any accrual period (as defined below) a ratable portion of the original issue discount allocable to that accrual period. An "accrual period" may be of any length and the accrual periods may vary in length over the term of the OID Bond, so long as each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the final day of an accrual period or on the first day of an accrual period. The amount of original issue discount allocable to each accrual period is generally equal to the difference between (i) the product of the OID Bond's adjusted issue price (as defined below) at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period), and (ii) the

amount of any qualified stated interest payments allocable to such accrual period. The "adjusted issue price" of an OID Bond at the beginning of any accrual period is the sum of the issue price of the OID Bond plus the amount of original issue discount allocable to all prior accrual periods minus the amount of any prior payments on the OID Bond that were not qualified stated interest payments.

The portion of the original issue discount included in an owner's gross income while the owner holds an OID Bond will increase the owner's adjusted tax basis in the OID Bond. Upon sale, exchange, redemption, or other disposition of an OID Bond, an owner generally will recognize taxable gain or loss equal to the difference between the amount realized by the owner upon such disposition and the owner's adjusted tax basis in the OID Bond. Any such gain or loss generally will be capital gain or loss and may be long-term capital gain or loss if the owner has held the OID Bond for the required holding period (currently one year). Noncorporate taxpayers currently are subject to reduced maximum income tax rates on long-term capital gains and generally are subject to income tax at ordinary income rates on short-term capital gains. An owner's ability to deduct capital losses is subject to certain limitations. Owners should consult their own tax advisors concerning the specific tax consequences of disposing of an OID Bond.

The OID Bonds are redeemable at the Board's option, at the direction of the City, prior to their stated maturity. These bonds may be subject to rules that differ from the general rules discussed above. Investors intending to purchase OID Bonds should consult their own tax advisors, because the original issue discount consequences will depend, in part, on the particular terms and features of those bonds.

Reporting Requirements. In general, information reporting requirements will apply to certain payments of principal, interest and premium paid on Bonds, and to the proceeds paid on the sale of Bonds, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner's federal income tax liability.

State and Local Taxation. Except with respect to Missouri income taxation, the discussion above does not address the tax consequences of purchase, ownership or disposition of the Bonds under any state or local tax law. Investors should consult their own tax advisors regarding state and local tax consequences.

Other Tax Consequences. The forgoing is not intended to be a complete description of all Federal or Missouri income tax consequences associated with an investment in the Bonds, and except as described under "*Opinion of Bond Counsel*," Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Bonds should consult their own tax advisors regarding the particular tax consequences to them of an investment in such bonds.

Sale, Exchange or Retirement of Bonds

Upon the sale, exchange or retirement (including redemption) of a Bond, an owner of the Bond generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale, exchange or retirement of the Bond (other than in respect of accrued and unpaid interest) and such owner's adjusted tax basis in the Bond. To the extent the Bonds are held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the Bond has been held for more than 12 months at the time of sale, exchange or retirement.

RATINGS

Standard & Poor's Ratings Services, a Division of The McGraw Hill Companies, Inc., has given the Bonds the rating shown on the cover page of this Official Statement. Such rating reflects 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 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, 2005 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 Cochran, Head & Co., P.C., independent certified public accountants, to the extent and for the periods indicated in their report which is also included in *Appendix B* hereto. Also included in *Appendix B* is a report prepared by the City's Finance Department entitled "City of Independence Financial and Operating Report For Period Ended January 31, 2006." This report contains interim unaudited numbers.

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 D*.

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 Bonds at a purchase price of $47,473,414.15 (which represents the principal amount of the Bonds less an underwriter's discount of $725,550 and original issue discount of $288,953.75, plus accrued interest of $117,917.90). In addition, the Bond Purchase Agreement provides, among other things, that the Underwriter will purchase all 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 Indenture, the Financing Agreement, the Deed of Trust 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 Indenture, the Financing Agreement, the Deed of Trust 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 Indenture, 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 Heacock
City Manager

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, 2004 and 2005 was $4,192,623 and $4,849,276, 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 $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 financial 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.	Alliance Tech Systems	Small Arms Ammunition	1,286
3.	GEHA	Medical Insurance Service Center	650
4.	SBC Communications	Communications	550
5.	Burd & Fletcher	Paper cartons	350
6.	Rosewood Health Center	Retirement Community	300
7.	Unilever (Thomas J Lipton)	Tea, Salad Dressings, Seasonings	290
8.	Sprint Relay Center	Communications	200
9.	Comcast	Communications	165
10.	Space Center Executive Park	Contract Distribution Center	150

Source: Independence Council for Economic Development.

General and Demographic Information

The following tables set forth certain population information.

	1980	1990	2000	2005*
City of Independence	111,797	112,301	113,288	111,230
Jackson County	629,266	633,232	654,880	661,454
State of Missouri	4,916,776	5,116,901	5,595,211	5,756,358

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.

	2000	2001	2002	2003	2004	2005
Kansas City MSA						
Total Labor Force	1,005,032	1,009,012	1,129,779	1,024,408	1,027,329	1,032,952
Unemployed	32,972	44,160	664,450	61,703	57,874	58,290
Unemployment Rate	3.3%	4.4%	5.3%	6.0%	5.6%	5.6%
Jackson County						
Total Labor Force	371,934	371,514	363,912	372,046	368,649	347,803
Unemployed	358,197	18,737	23,717	25,206	24,803	21,942
Unemployment Rate	3.7%	5.0%	6.5%	6.8%	6.7%	6.3%
State of Missouri						
Total Labor Force	2,929,827	2,970,118	2,954,307	3,020,592	3,028,076	3,024,642
Unemployed	101,447	139,715	147,588	170,126	161,096	163,555
Unemployment Rate	3.5%	4.7%	5.0%	5.6%	5.3%	5.4%

Source: MERIC

Income Statistics

The following table sets forth income figures from the 2000 census and an estimate for 2005.

	Per Capita		Median Family	
	2000	2005	2000	2005
City of Independence	$19,384	$22,170	$45,876	$52,628
Jackson County	20,788	23,701	48,435	56,504
State of Missouri	19,936	22,845	37,934	53,250

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 2005:

Housing type	Number of Units	Percentage of Units
Single Detached	35,279	70.92%
Single Attached	1,735	3.49
Double	2,181	4.38
3 to 19 Unites	6,433	12.93
20 to 49 Units	1,019	2.05
50 + Units	1,503	3.02
Mobile Home	1,567	3.15
All Other	26	0.05
Total Units	49,743	100.00%

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	2005
City	$77,000	$ 92,364
Jackson County	85,000	106,114
State of Missouri	89,900	111,973

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	737
Estimated Cost	$43,799,753	$39,941,328	$51,015,505	$47,280,932	$66,838,976
Non-Residential					
Number of Permits	219	158	204	186	188
Estimated Cost	$61,394,644	$47,467,165	$78,904,822	$50,594,507	$32,069,290

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

*Change in presentation. Does not include component unit/Tax Increment Financing as in prior years.

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, 2005 (the last completed assessment):

	Assessed Valuation*	Assessment Rate	Actual Valuation
Real Estate:			
Residential	$774,627,429	19%	$4,076,986,468
Commercial	256,267,751	32	800,836,722
Agricultural	1,142,640	12	9,522,000
Railroad and utilities	5,525,949	32	17,268,591
Sub-Total	$1,037,563,769		$4,904,613,781
Personal Property*	256,782,138	33.30%	771,117,532
Total	$1,294,345,907		$5,675,731,313

* 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
2005	$1,294,345,907	8.1%
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

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	$18,622,976	1.80%
DDR MDT Independence Commons	Retail Center	9,129,915	.88%
Space Center of Kansas City, Inc.	Underground commercial storage	8,837,627	.85%
Bradley Operating LTD PTP	Retail Center	4,207,665	.41%
Southern Union Company	Utility	3,862,610	.37%
CSI LLC	Apartment Complex	3,676,218	.35%
Independence Apartments Assoc.	Apartment Complex	3,321,200	.32%
Little Blue Holdings LLC	Real Estate	3,224,851	.31%
Pepperwood Apartments LLC	Apartment Complex	3,120,337	.30%
Wal Mart Stores Inc.	Retail	2,918,045	.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 March 1, 2006. However, as of that date the City did have outstanding the following Neighborhood Improvement District bonds outstanding:

(i) $103,000 of its Neighborhood Improvement District Bonds (Fall Drive Sanitary Sewer Project) Series 2004B, issued in the original principal amount of $111,000, and

(ii) $880,000 of its Neighborhood Improvement District Bonds (Noland Road and Englewood Projects) Series 2004, issued in the original principal amount of $995,000.

Neighborhood Improvement District bonds are payable from special assessments on certain real property within the district. If not so paid, such bonds are then payable from any reserve fund established for the bonds and then, pursuant to a full faith and credit pledge of the City, from any available funds. However, the City is not authorized nor obligated to levy taxes for the repayment of such bonds. Such bonds do count against the constitutional general obligation bond limitations described above.

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

Power and Light Fund:	**Balance Payable**
$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 March 1, 2006)	$13,834,556
$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 March 1, 2006)	$4,196,623
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 March 1, 2006)	$28,295,000
$14,785,000 Missouri Development Finance Board ("MDFB" or the "Board") Infrastructure Facilities Revenue Bonds, Series 2004, 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 March 1, 2006)	$14,295,000
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 March 1, 2006)	$4,435,000
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 March 1, 2006)	$10,750,000

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 March 1, 2006) $4,110,000

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 March 1, 2006) $300,000

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 March 1, 2006) $12,270,000

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 March 1, 2006) $10,065,000

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 was used to pay a portion of the City's loan payment to the Board 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 March 1, 2006) $975,000

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 March 1, 2006) $1,315,000

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 March 1, 2006) $3,290,000

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 March 1, 2006) $8,580,000

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 March 1, 2006) $1,015,000

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 March 1, 2006) $5,540,000

On March 9, 2005, at the request of the City, MDFB issued $8,225,000 in Infrastructure Facilities Revenue Bonds, Series 2005A, due in annual installments of $670,000 to $1,010,000 through March 1, 2015 and bearing interest at the rates ranging from 4.00% to 5.25% The proceeds of the bonds were loaned by MDFB to the City to construct public safety projects. 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 March 1, 2006) $7,555,000

On March 9, 2005, at the request of the City, MDFB issued $1,030,000 in Infrastructure Facilities Revenue Bonds, Series 2005B, due in annual installments of $50,000 to $90,000 through March 1, 2020 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 be used for reimbursement of redevelopment costs related to the Drumm Farm 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 a pledge of certain tax increment revenues, and if not paid from such revenues from the City's general fund, subject to annual appropriation. (as of March 1, 2006) $980,000

On March 9, 2005, at the request of the City, MDFB issued $11,325,000 in Infrastructure Facilities Revenue Bonds, Series 2005C, due in annual installments of $185,000 to $1,270,000 through March 1, 2026 and bearing interest at the rates ranging from 4.00% to 5.25% The proceeds of the bonds were loaned by MDFB to the City to be used for reimbursement of redevelopment costs related to Crackerneck Creek 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 a pledge of certain tax increment revenues, and if not paid from such revenues from the City's general fund, subject to annual appropriation. (as of March 1, 2006)	$11,325,000
On May 21, 2005, at the request of the City, MDFB issued $4,970,000 in Infrastructure Facilities Revenue Bonds, Series 2005, due in annual installments of $595,000 to $665,000 through April 1, 2009 and bearing interest at the rates ranging from 3.25% to 4.0% The proceeds of the bonds were loaned by MDFB to the City to be used for various street projects. 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 March 1, 2006)	$4,375,000

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 $90,000,000. Proceeds of the bonds will fund reimbursable redevelopment project costs that are currently estimated to be approximately $73,600,000, plus all financing costs, capitalized interest, credit enhancement costs, if any, and adequate reserves. 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, all as described in this Official Statement. As noted above, MDFB issued the first series of these bonds on March 9, 2005 in the principal amount of $11,325,000. The second and third series of bonds issued for the Project are the Series 2006A Bonds and the Series 2006B Bonds. Concurrently with the issuance of the Bonds, MDFB is issuing its Infrastructure Facilities Revenue Bonds (City of Independence, Missouri - Crackerneck Creek Project), Series 2006C, in the original principal amount of $12,790,000.

Capital Leases

Capital leases payable at June 30, 2005 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.	$ 88,460
$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.	27,399
Emergency One, Inc., interest at 6.31%, annual installments through October 2007. A lease to purchase an Emergency One Model V803 Commercial Pumper Fire Apparatus.	60,887
IBM Corporation, interest at 4.64% to 6.37% annual installments through April 2007. A lease to purchase an IBM AS/400 and related equipment and software.	85,722
IBM Corporation, interest at 2.64% to 6.10%, monthly installments through 2008 for computer equipment	66,103
Sun Trust Leasing, interest at 4.19%, annual installments through July 2013; a lease to purchase a fire truck	687,260
TOTAL	$1,015,831

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, 2005, 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
Jackson County	0	-	0
Jackson County School Districts:			
Metropolitan Junior College	0	-	0
Independence	120,815,000	100.0%	120,815,000
Kansas City	0	-	0
Raytown	65,675,000	6.0	3,940,500
Blue Springs #4	121,394,838	20.0	24,278,968
Fort Osage #1	23,279,674	12.5	2,909,959
TOTAL	$352,500,155		$117,721,511

* Does not include amounts available in certain debt service funds

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APPENDIX B

ACCOUNTANTS' REPORT AND AUDITED FINANCIAL STATEMENTS OF THE CITY OF INDEPENDENCE, MISSOURI FOR FISCAL YEAR ENDED JUNE 30, 2005; UNAUDITED FINANCIAL AND OPERATING REPORT FOR PERIOD ENDED JANUARY 31, 2006

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FINANCIAL STATEMENTS OF THE CITY

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CH & Co

COCHRAN, HEAD & CO., P.C.

Certified Public Accountants

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

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and aggregate remaining fund information of the City of Independence, Missouri, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2005, and the respective changes in financial position and cash flow, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Offices

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1333 Meadowlark Lane
Kansas City, KS 66102
(913) 287-6433
(913) 287-0010 FAX

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2005, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, budgetary comparison information and schedules of funding progress and employer contributions, which appear as listed in the accompanying table of contents, are not a required part of the basic financial statements but are supplementary information required accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City. The introductory section, combining and individual non-major fund financial statements and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

September 23, 2005

Coulson, Hood & Co PC

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

Financial Highlights

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

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

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

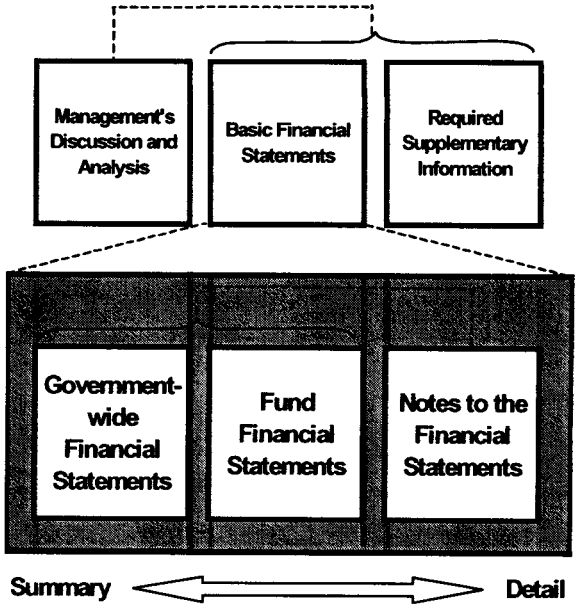
The site work has started on the tax increment financing project for a retail development of almost 700,000 square feet that includes a Bass Pro Shops Outdoor World store and theme hotel.

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

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

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

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



Overview Of The Financial Statements

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

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

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

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

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

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

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

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

Figure MD-2

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

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

Government-wide Statements

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

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

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

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

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

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

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

Fund Financial Statements

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

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

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

The City has three kinds of funds:

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

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

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

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

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

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

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

Table MD-1
City of Independence's Net Assets

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

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

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

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

Changes In Net Assets

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

Table MD-2
City of Independence's Net Assets

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

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

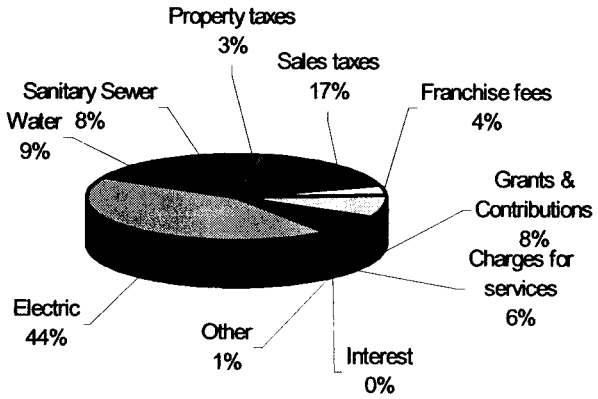
Total expenses increased $6.7 million and Governmental expenses increased 5.0% or $3.2 million. This increase can be attributed to costs associated with electric production and capital projects.

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

Revenues

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

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

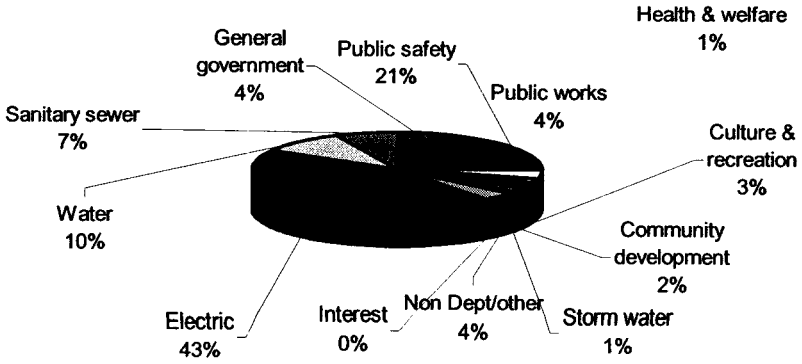


Revenues from governmental activities were $78.9 million. Sales taxes, the largest governmental category, were $33.3 million or 42.2%. All taxes represents $47.4 million or 60% of the governmental revenue. Inter-governmental revenues from such sources as grants were $16.6 million or 21% of the governmental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

Expenses

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

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



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

Governmental Activities

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

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

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

Business-type Activities

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

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

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

Revenue from landline telephone service seems to have stabilized.

General Fund Budgetary Highlights

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

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

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

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

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

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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

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

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

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

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

Debt Administration

Table MD-5
City of Independence's Outstanding Debt

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

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

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

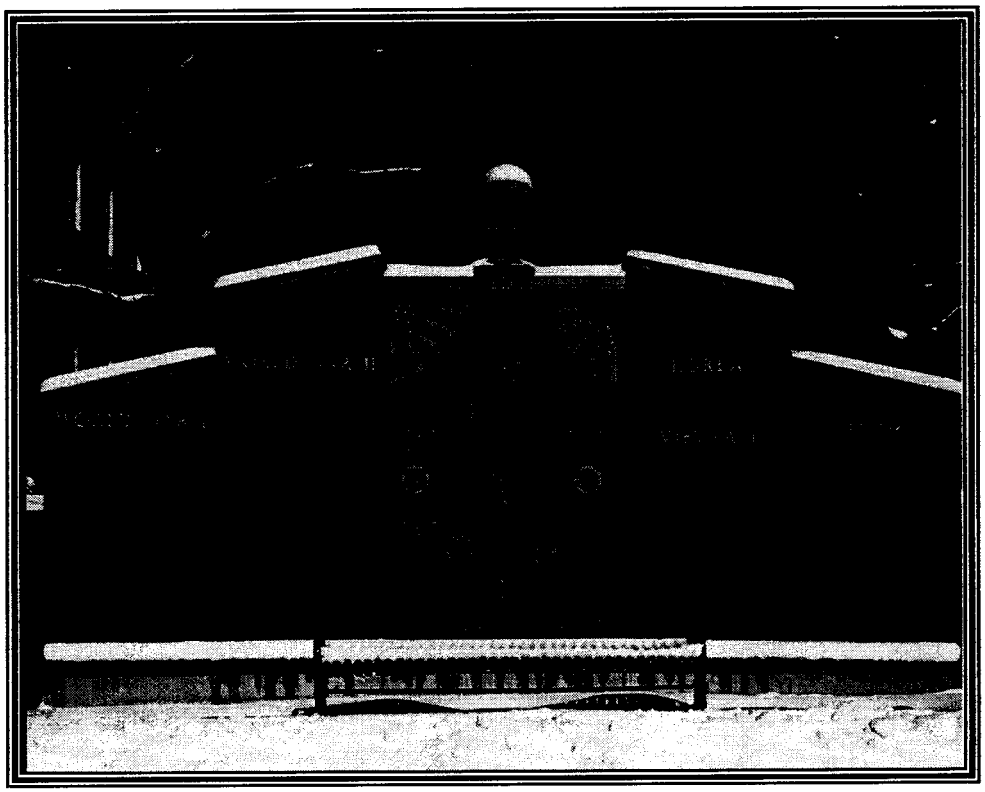
Economic Factors

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

Contacting The City's Financial Management

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

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



Picture courtesy of Herbert Webb

Exhibit 1

CITY OF INDEPENDENCE, MISSOURI
Statement of Net Assets
June 30, 2005

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

See accompanying notes to financial statements.

Exhibit 2

CITY OF INDEPENDENCE, MISSOURI

Statement of Activities

Year ended June 30, 2005

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

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

See accompanying notes to financial statements.

Exhibit 3

CITY OF INDEPENDENCE, MISSOURI

Balance Sheet

Governmental Funds

June 30, 2005

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

See accompanying notes to financial statements.

Exhibit 3.1

CITY OF INDEPENDENCE, MISSOURI

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

June 30, 2005

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

See accompanying notes to financial statements.

Exhibit 4

CITY OF INDEPENDENCE, MISSOURI

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year ended June 30, 2005

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

See accompanying notes to financial statements.

Exhibit 4.1

CITY OF INDEPENDENCE, MISSOURI

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

Year ended June 30, 2005

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

See accompanying notes to financial statements.

Exhibit 5

CITY OF INDEPENDENCE, MISSOURI

Balance Sheet

Proprietary Funds

June 30, 2005

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

See accompanying notes to financial statements.

Exhibit 6

CITY OF INDEPENDENCE, MISSOURI

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

Proprietary Funds

Year ended June 30, 2005

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

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

See accompanying notes to financial statements.

Exhibit 7

CITY OF INDEPENDENCE, MISSOURI

Statement of Cash Flows

Proprietary Funds

Year ended June 30, 2005

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

See accompanying notes to financial statements.

Exhibit 8

CITY OF INDEPENDENCE, MISSOURI

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2005

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

See accompanying notes to financial statements.

Exhibit 9

CITY OF INDEPENDENCE, MISSOURI

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

Year ended June 30, 2005

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

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

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

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

(a) The Financial Reporting Entity

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

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

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

(b) Basis of Presentation

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

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

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

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

The City reports the following major governmental funds:

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

The City reports the following major enterprise funds:

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

The City reports the following fund types of nonmajor funds:

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

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

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

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

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

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

(c) Basis of Accounting

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

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

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

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

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

(d) Accounts Receivable

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

(e) Investments

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

(f) Inventory

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

(g) Prepaid Items

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

(h) Interfund Activity

The City has the following types of interfund activity:

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

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

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

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

(i) Capital Assets

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

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

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

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

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

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

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

(j) Bond Premiums, Discounts, and Issuance Costs

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

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

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

(k) Compensated Absences

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

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

(l) Fund Balances

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

(m) Net Assets

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

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

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

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

(n) Statement of Cash Flows

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

(o) Use of Estimates

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

(p) Reclassifications of Account Balances

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

(q) New Accounting Pronouncements

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

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

(2) Deposits and Investments

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

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

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

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

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

Investment Policy

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

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

Credit Risk

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

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

Custodial Credit Risk

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

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

Interest Rate Risk

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

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

Concentration of Credit Risk

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

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

(3) Tax Revenue

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

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

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

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

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

(4) Intergovernmental Revenue and Receivables

Intergovernmental revenue during fiscal year 2005 consisted of the following:

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

(Continued)

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

(Continued)

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

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

(Continued)

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

(Continued)

(5) Interfund Activity

(a) Interfund Balances

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

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

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

(b) Interfund Charges for Support Services

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

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

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

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

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

(Continued)

(c) *Payments in Lieu of Taxes*

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

(d) *Interfund Transfers*

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

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

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

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

(Continued)

(6) Capital Assets

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

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

(Continued)

Depreciation expense was charged to functions as follows:

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

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

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

(Continued)

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

Depreciation expense was charged to functions as follows:

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

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

(7) Long-Term Obligations

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

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

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

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

(Continued)

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

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

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

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

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

Governmental activities

(a) Loans Payable

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

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

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

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

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

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

(b) Neighborhood Improvement District

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

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

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

(c) Capital Lease Obligations

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

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

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

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

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

Business-type Activities

Revenue Bonds

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

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

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

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

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

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

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

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

Discretely-presented component unit

(a) Tax Increment Financing Loans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) Developer Obligations

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

(8) Advances for Construction

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

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

(9) Employee Retirement System

Plan Description

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

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

Funding Policy

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

Annual Pension Cost

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

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

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

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

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

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

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

(10) Reimbursement of Employee Contributions to LAGERS

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

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

(11) Postemployment Health Benefits

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

(12) Risk Management

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

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

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

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

(Continued)

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

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

(13) Commitments

Construction Commitments

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

Purchase/Sales of Capacity and Energy

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

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

Cooperative Agreement – Jackson County

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

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

(14) Deficits

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

(15) Fund Equity

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

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

(16) Prior Period Adjustment and Change in Financial Presentation

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

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

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

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

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

A summary of these changes is described below:

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

THE CITY OF INDEPENDENCE
MISSOURI

(1) Budgets and Budgetary Accounting

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

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

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

Exhibit 10

CITY OF INDEPENDENCE, MISSOURI

Required Supplementary Information (Unaudited)

Budgetary Comparison Schedule

General Fund

Year ended June 30, 2005

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Budgetary Comparison Schedules

Year ended June 30, 2005

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

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

Exhibit 11

CITY OF INDEPENDENCE, MISSOURI

Required Supplementary Information (Unaudited)

Budgetary Comparison Schedule

Park Improvements Sales Tax Fund

Year ended June 30, 2005

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

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

Exhibit 11

CITY OF INDEPENDENCE, MISSOURI

Required Supplementary Information (Unaudited)

Budgetary Basis Reconciliation Schedule

Park Improvements Sales Tax Fund

Year ended June 30, 2005

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

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

Exhibit 12

CITY OF INDEPENDENCE, MISSOURI

Required Supplementary Information (Unaudited)

Schedule of Funding Progress and Employer Contributions

Retirement Plan

Schedule of Funding Progress:

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

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

Schedule of Employer Contributions:

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

CITY OF INDEPENDENCE, MISSOURI

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

Capital Projects Funds

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

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

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

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

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

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

CITY OF INDEPENDENCE, MISSOURI

Debt Service Fund

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

Permanent Fund

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

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

Exhibit 13

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2005

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

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

Exhibit 14

CITY OF INDEPENDENCE, MISSOURI

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

Nonmajor Governmental Funds

Year ended June 30, 2005

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

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

Exhibit 15

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Special Revenue Funds

June 30, 2005

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

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

Exhibit 16

CITY OF INDEPENDENCE, MISSOURI

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

Nonmajor Special Revenue Funds

Year ended June 30, 2005

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

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

Exhibit 17

CITY OF INDEPENDENCE, MISSOURI

Budgetary Comparison Schedule

Tourism Fund

Year ended June 30, 2005

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

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

Exhibit 17.1

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Tourism Fund

Year ended June 30, 2005

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

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

Exhibit 18

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Sales Tax Funds

June 30, 2005

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

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

Exhibit 19

CITY OF INDEPENDENCE, MISSOURI

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

Nonmajor Sales Tax Funds

Year ended June 30, 2005

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

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

Exhibit 20

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Nonmajor Capital Projects Funds

June 30, 2005

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

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

Exhibit 21

CITY OF INDEPENDENCE, MISSOURI

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

Nonmajor Capital Projects Funds

Year ended June 30, 2005

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

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

CITY OF INDEPENDENCE, MISSOURI

Internal Service Funds

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

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

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

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

Exhibit 22

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Net Assets

Internal Service Funds

June 30, 2005

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

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

Exhibit 23

CITY OF INDEPENDENCE, MISSOURI

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

Internal Service Funds

Year ended June 30, 2005

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

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

Exhibit 24

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Cash Flows

Internal Service Funds

Year ended June 30, 2005

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

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

Exhibit 25

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2005

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

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

Exhibit 26

CITY OF INDEPENDENCE, MISSOURI

Statement of Changes in Fiduciary Net Assets

Miscellaneous Expendable Trust

Year ended June 30, 2005

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

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

Exhibit 27

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Changes in Assets and Liabilities

All Agency Funds

Year ended June 30, 2005

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

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

CITY OF INDEPENDENCE, MISSOURI

Combining Balance Sheet

Discretely Presented Component Unit - Tax Increment Financing

June 30, 2005

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

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

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

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

CITY OF INDEPENDENCE, MISSOURI

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

Component Unit - Tax Increment Financing

Year ended June 30, 2005

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

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

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

Change in fund balance	$	9,061,544
Amounts reported in the government-wide statements are different because:		
Unreimbursed certified costs are reported as liabilities and expenses at the government-wide level		(3,776,809)
Bond proceeds provide current financial resources in Tax Increment Financing funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in Tax Increment Financing funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments. Also, Tax Increment Financing funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in treatment of long-term debt and related items:		
Loan proceeds		(12,364,832)
Principal payments		3,153,926
Discounts		349,099
Premiums		12,008
		(8,849,799)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the Tax Increment Financing funds		
Accrued interest		(155,780)
Change in net assets	$	(3,720,844)

CITY OF INDEPENDENCE, MISSOURI

Schedules of Operating Expenses – Power and Light Fund

Years ended June 30, 2005 and 2004

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

(Continued)

Exhibit 30

CITY OF INDEPENDENCE, MISSOURI

Schedules of Operating Expenses – Power and Light Fund

Years ended June 30, 2005 and 2004

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

Exhibit 31

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Statistics – Power and Light Fund

Year ended June 30, 2005

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

Exhibit 32

CITY OF INDEPENDENCE, MISSOURI

Schedules of Operating Expenses – Water Fund

Years ended June 30, 2005 and 2004

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

Exhibit 33

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Statistics – Water Fund

Year ended June 30, 2005

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

* Thousand gallons sold.

Exhibit 34

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Statistics – Sanitary Sewer Fund

Year ended June 30, 2005

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

* Hundred cubic feet.

STATISTICAL DATA

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

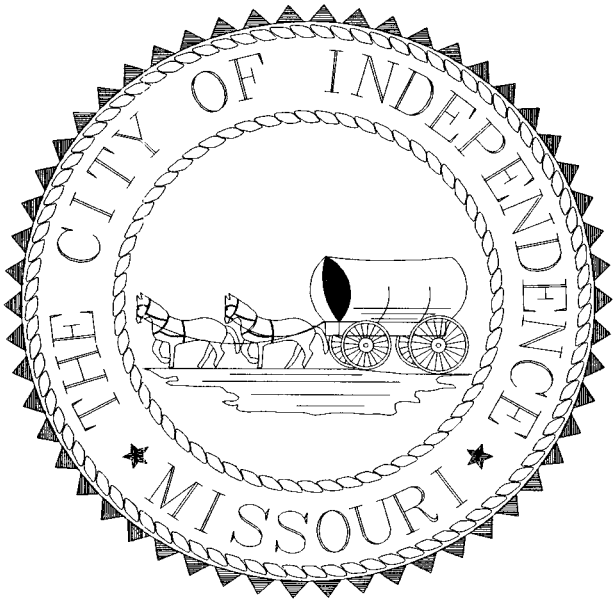

THE CITY OF INDEPENDENCE
MISSOURI

Table 2

City of Independence, Missouri

General Governmental Revenue by Source

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

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

City of Independence, Missouri

General Governmental Tax Revenue by Source

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

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

Table 4

City of Independence, Missouri

Assessed and Estimated Actual Values of Taxable Property

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

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

Table 5

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

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

(2) County Tax Breakdown for current year.

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

(3) Three other school districts are in the Jackson County portion of the City of Independence. School tax rates for the current year in these districts are:
Fort Osage Reorganized #1 $4.96 Blue Springs Reorganized #4 $5.38
Kansas City School District $4.95

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

Table 7

City of Independence, Missouri

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

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

City of Independence, Missouri

Computation of Legal Debt Margin

June 30, 2005

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

* *All Tangible Property.*

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

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

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

Table 10

City of Independence, Missouri

Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Governmental Expenditures

	Year Ended June 30									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Bond Retirements:										
23 Street Right-of-Way										
1968 Street										
1969 Street										
1974 Street	0	0	0	0	0	0	0	0	0	0
1968 Fire										
1969 Fire										
1974 Fire										
1968 Sewer										
1969 Sewer										
1972 Police Bldg.	0	0	0	0	0	0	0	0	0	0
Total Bond Requirements	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Interest and Agent Fees	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Debt Service	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total General Governmental Expenditures (a)	$47,963,641	$49,172,040	$53,522,757	$66,380,643	$79,366,650	$90,042,052	$98,020,507	$83,337,998	$89,469,435	$88,389,177
Ratio of Debt Service to General Governmental Expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

Table 11

City of Independence, Missouri

Revenue Bond Coverage - Power & Light Revenue Bonds

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

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

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

Table 13

City of Independence, Missouri

Revenue Bond Coverage - Sanitary Sewer Revenue Bonds

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

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

Table 14

Year Ended June 30,	Population (1)	Median Household Income (1)	Median Age (1)	School Enrollment	Unem-ployment Rate (1)
1996	114,931	31,395	34.9	15,821	4.20%
1997	115,531	32,970	35.2	15,667	3.30%
1998	115,851	34,544	35	16,746	3.70%
1999	116,115	32,776	35	16,361	2.90%
2000	116,867	32,776	35	16,361	3.10%
2001	113,288	40,462	36	15,302	4.20%
2002	113,288	53,960	38	15,987	5.70%
2003	114,345	52,921	38	16,334	5.20%
2004	112,700	50,940	39	18,215	5.15%
2005	111,730	55,628	39	16,278	6.20%

Source:

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

Table 16

[illegible]

[illegible] Principal Property Taxpayers

June 30, 2005

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

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

Governmental Structure

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

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

City Facilities and Services

Utilities:

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

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

Nongovernmental Services and Facilities

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

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

City of Independence
Schedule of Insurance
June 30, 2005

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

UNAUDITED INTERIM FINANCIAL REPORT

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CITY OF INDEPENDENCE FINANCIAL AND OPERATING REPORT

FOR PERIOD ENDED

January 31, 2006

PREPARED BY
FINANCE DEPARTMENT

City of Independence

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

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

February 13, 2006

Honorable Mayor
Members of the City Council
City Manager & Department Directors

Re: January 2006 Financial Report

The Financial Report of the City of Independence for the period ended January 31st is submitted herewith. This report reflects 58.3% of the 2005-2006 fiscal year operations for the funds represented.

The current budget for General Fund estimated revenues have increased $1,307 from the original estimate. Projected revenues for the year are expected to be $1,259,511 more than the original estimate, which was developed last spring. Note this projection is based on only seven months of operating results. Totals by revenue category can be found in the table below. Additional information can be found following this transmittal letter. Due to the slow recovery in the general economy and specifically retail sales we are paying very close attention to sales tax revenue. Current projections for sales tax are $525,577 less than the original estimate, which is a result of adjusting the projection for sales tax using the actual for FY 2004-05 and including the variance through this month. The projection for the gas franchise has been adjusted up by $450,000 for fuel cost increases and recent weather conditions, which to date have been mild. There is a positive variance from City owned utilities of $845,620, due to the warm and dry summer and increased energy costs for the electric utility. Also included is an adjustment to the real estate payment in-lieu of taxes for the Power & Light Fund of $94,526. This updates the methodology for this factor. Detail for these utilities can be found at the end of this letter.

General Fund Revenues

	Original Est. Revenue	Adjusted Est. Revenue	Projected	Variance of Proj. to Adj.	%
Taxes	$43,483,732	$43,483,732	$44,739,206	$1,255,474	2.8%
Licenses & Permits	4,581,408	4,581,408	4,493,032	(88,376)	-2.0%
Grants	5,730,367	5,730,674	5,519,349	(211,325)	-3.8%
Charges for Services	1,293,474	1,294,474	1,421,854	127,380	9.0%
Interfund Services	2,795,350	2,795,350	2,828,704	33,354	1.2%
Fines & Forfietures	3,736,362	3,736,362	3,851,985	115,623	3.0%
Interest	147,500	147,500	146,780	(720)	-0.5%
Other Revenue	486,650	486,650	514,751	28,101	5.5%
Debt Proceeds				0	
Total	$62,254,843	$62,256,150	$63,515,661	$1,259,511	2.0%

AN EQUAL OPPORTUNITY EMPLOYER • A COMMUNITY IN EASTERN JACKSON COUNTY

The fiscal year to date expenditures for the General Fund is $35,061,735 and encumbrances are $1,731,405. The total is $36,793,140. This represents 58.3% of the adjusted budget. This is the same as the current month's proportion of 58.3%. This includes a number of blanket encumbrances written at the beginning of the year. The Adjusted Budget column includes the carry-over of prior year appropriations for Council Goals and TIF Distributions. Salary and benefit projections show that 58.3% of the budget for this category has been expended.

General Fund Expenditures & Encumbrances

	Adopted Budget	Adjusted Budget	Actual To Date	%	Projected	Variance of Proj. to Adj.
General Government	$6,806,027	$6,806,027	$4,004,369	58.8%	$6,806,027	$0
Public Safety	35,447,167	35,468,578	21,626,459	61.0%	36,025,890	(557,312)
Public Works	6,904,651	6,904,651	4,450,820	64.5%	6,904,651	0
Health	2,135,105	2,135,105	1,174,563	55.0%	2,135,105	0
Parks & Recreation	2,052,914	2,052,914	1,192,149	58.1%	2,052,914	0
Council Goals	350,000	888,796	315,586	35.5%	888,796	0
TIF Distribution	250,000	681,371	25,923	3.8%	681,371	0
Other	8,166,622	8,166,622	4,003,271	49.0%	8,166,622	0
TOTAL	$62,112,486	$63,104,064	$36,793,140	58.3%	$63,661,376	($557,312)

Projected expenditures for the Police Department have been adjusted for overtime and detention expenditures that in the past have exceeded the budget and are expected to continue with the same trend in FY 2005-06. Projected revenues from a new court cost for detention have been adjusted upward by $50,000 to offset a portion of the detention expenditures.

Projected Financial Position - June 30:

The chart on the right is a projection of the fund balance account for the General Fund for this fiscal year. Total Fund Balance is decreasing by $288,072 as a result of the expected use of $1,036,107 of designated funds and the $748,035 increase of unreserved funds.

Fund Balance Activity	
Beginning Fund Balance	$4,847,655
Current Fiscal Year	
Revenues	63,515,661
Expenditures	63,661,376
Revenues over/(under) Expenditures	(145,715)
Transfers In	
Transfers Out	142,357
Projected Ending Fund Balance	$4,559,583

Projected Unreserved Fund Balance - June 30

Of the $4,847,655 of beginning fund balance reported above, the unreserved portion is $1,903,961. The balance represents reserved and designated fund balance components. The unreserved portion is expected to increase by $748,035 to a projected unreserved fund balance of $2,651,996 at the end of this fiscal year. This is the result of the increase in the revenue projections and offset by the greater projected expenditures.

Unreserved Fund Balance Activity	
Beginning Unreserved Fund Balance	$ 1,903,961
Revenue Variance	1,259,511
Expenditure Variance	(557,312)
Close Prior Year Encumbrances	51,351
Transfers Authorized by the Budget	
Other:	
Increases	
Decreases	5,515
Projected Ending Unreserved Fund Balance	$2,651,996

As noted earlier the revenues are the result of seven months of operations. The City Manager is continuing this year to evaluate vacancies to measure salary savings during the fiscal year. Detail information regarding unreserved fund balance can be found following this transmittal letter.

City Council Goals Account

The following is an analysis of the City Council Goals Account. The chart shows the amounts allocated to the various projects.

City Council Goals Account Summary

Description	Allocation Amount	Expended or Encumbered	Balance
Carry-over Balance from Prior Year	$714,468		
Current Year Authorization	350,000		
	$1,064,468		
Carry-Over Allocations from Prior Years:			
Jackson Drive (Jones Rd to Buncschu)	70,000		70,000
Police Academy Scholarship Program	418		418
Little Blue Parkway - RD Mize to US 24 Design	22,667	22,582	85
Demo. of Dangerous Bld. & Property Clean-up	9,700		9,700
Youth Summer Basketball & Teen Center	4,443		4,443
Mowing & Refuse Cleanup on Private Property	70,000		70,000
Neighborhood Park Matching Grants	20,000		20,000
NWCDC Operating Agreement (Yr. 3 of 3)	44,000	44,000	
Sidewalk Repairs Revolving Fund	50,000		50,000
Land Development Code	100,000	100,000	
Restoration of 1827 Log Courthouse	60,000	60,000	
Neighborhood Sustainability	11,016	407	10,609
Truman Road Enhancement Project	60,000	60,000	
Current Year Allocations:			
Demo. of Dangerous Bld. & Property Clean-up	50,000		50,000
Mowing & Refuse Cleanup on Private Property	70,000		70,000
Neighborhood Park Matching Grants	20,000		20,000
Sidewalk Repairs Revolving Fund	50,000		50,000
Neighborhood Block Celebrations	10,000	6,198	3,802
Police Dog Purchase	5,200	5,200	
Demolition of Sign Shop for Recyling Center	81,000	17,200	63,800
Total	$808,444	$315,587	$492,857
Unallocated Balance	$256,024		

License Surcharge Fund

Revenues this fiscal year from the license surcharge on building construction which went into effect on January 1, 2001 is $354,089 and interest is $65,719 and unreserved fund balance is $1,880,963.

Street Improvements Sales Tax Fund

The Street Improvement Sales Tax Fund has been set-up to account for the three-eights cent transportation sales tax identified for streets and bridges. The following analysis shows the funds available for new projects based on the current projection of sales tax revenue and the current appropriations for specific projects. The sales tax projections will be adjusted monthly to reflect the variance between projected and actual.

The amounts for budget and projected expenditures will be adjusted as funds are appropriated for new projects. Our fund balance projection for June 30th is ($2,040,588).

Street Improvement Sales Tax Fund

	Actual As Of	Current Fiscal Year		
Revenues:	Prior Fiscal Year	Budget	Projected	Variance
Sales Tax	$5,633,569	6,174,161	5,977,070	(197,091)
Interest	145,996	82,000	145,000	63,000
Total Revenues	$5,779,565	6,256,161	6,122,070	(134,091)
Expenditures:				
Operating	0	0	0	0
Capital	4,711,620	7,475,000	7,475,000	0
Carry-over Appropriations		9,019,751	9,019,751	0
Total Expenditures	4,711,620	16,494,751	16,494,751	0
Excess of Revenues Over (Under) Expenditures	1,067,945		(10,372,681)	
Other Fin. Sources (Uses)				
Debt Proceeds	5,015,496			
Transfers In				
Transfers Out	4,390		13,125	
Total Other Financing	5,011,106		(13,125)	
Fund Balance:				
Encumbrances	5,448,691			
Designated for Cap. Proj.	15,719		2,278	
Unreserved	2,880,808		(2,042,866)	
Total	8,345,218		(2,040,588)	

Park Improvements Sales Tax Fund

The Park Improvements Sales Tax Fund has been set-up to account for the one-quarter cent sales tax identified for parks and recreation. The following analysis shows the funds available for new projects based on the current projection of sales tax revenue and the current appropriations for specific projects. The sales tax projections will be adjusted monthly to reflect the variance between projected and actual.

The amounts for budget and projected expenditures will be adjusted as funds are appropriated for new projects. Our fund balance projection for June 30th is ($1,473,803).

Park Improvement Sales Tax Fund

	Actual As Of	Current Fiscal Year		
Revenues:	Prior Fiscal Year	Budget	Projected	Variance
Sales Tax	$4,038,148	3,997,783	3,866,389	(131,394)
Interest	228,686	174,500	40,000	(134,500)
Charges for Services	299,082	404,400	404,400	0
Other	46,897			0
Total Revenues	$4,612,813	4,576,683	4,310,789	(265,894)
Expenditures:				
Operating	1,476,866	3,051,652	3,051,652	0
Capital	8,581,856	1,909,376	1,909,376	0
Carry-over Appropriations		2,013,554	2,013,554	0
Total Expenditures	10,058,722	6,974,582	6,974,582	0
Excess of Revenues Over (Under) Expenditures	(5,445,909)		(2,663,793)	
Other Fin. Sources (Uses)				
Debt Proceeds	6,175,000			
Transfers In				
Transfers Out	2,927		8,750	
Total Other Financing	6,172,073		(8,750)	
Fund Balance:				
Encumbrances	731,312			
Designated for Cap. Proj.	8,842		9,909	
Unreserved	458,586		(1,483,712)	
Total	1,198,740		(1,473,803)	

Fire Sales Tax Fund

The Fire Sales Tax Fund has been set-up to account for the portion one-quarter cent sales tax identified for the fire service. The following analysis shows the funds available for new projects based on the current projection of sales tax revenue and the current appropriations for specific projects. The sales tax projections will be adjusted monthly to reflect the variance between projected and actual.

The amounts for budget and projected expenditures will be adjusted as funds are appropriated for new projects. Our fund balance projection for June 30th is $2,544,749.

Fire Sales Tax Fund

	Actual As Of	Current Fiscal Year		
Revenues:	Prior Fiscal Year	Budget	Projected	Variance
Sales Tax	$1,604,260	3,997,783	3,866,389	(131,394)
Interest	59,002	58,000	115,000	57,000
Total Revenues	$1,663,262	4,055,783	3,981,389	(74,394)
Expenditures:				
Operating	132,683	2,889,983	2,889,983	0
Capital	520,043	600,000	600,000	0
Carry-over Appropriations		2,901,457	2,901,457	0
Total Expenditures	652,726	6,391,440	6,391,440	0
Excess of Revenues Over (Under) Expenditures	1,010,536		(2,410,051)	
Other Fin. Sources (Uses)				
Debt Proceeds	4,448,923			
Transfers In				
Transfers Out	1,847	8,750	502,812	
Total Other Financing	4,447,076		(502,812)	
Fund Balance:				
Encumbrances	3,979,489			
Designated for Cap. Proj.	16,578		12,142	
Unreserved	1,461,545		2,532,607	
Total	5,457,612		2,544,749	

Police (Capital) Sales Tax Fund

The Police (Capital) Sales Tax Fund has been set-up to account for the one-eighth cent capital improvements sales tax identified for police equipment. The following analysis shows the funds available for new projects based on the current projection of sales tax revenue and the current appropriations for specific projects. The sales tax projections will be adjusted monthly to reflect the variance between projected and actual.

The amounts for budget and projected expenditures will be adjusted as funds are appropriated for new projects. Our fund balance projection for June 30th is $2,586,987.

Police (Capital) Sales Tax Fund

	Actual As Of	Current Fiscal Year		
Revenues:	Prior Fiscal Year	Budget	Projected	Variance
Sales Tax	$845,058	2,108,064	2,042,367	(65,697)
Interest	48,711	58,000	85,000	27,000
Total Revenues	$893,769	2,166,064	2,127,367	(38,697)
Expenditures:				
Operating				0
Capital	1,275,571	2,849,812	2,849,812	0
Carry-over Appropriations				0
Total Expenditures	1,275,571	2,849,812	2,849,812	0
Excess of Revenues Over (Under) Expenditures	(381,802)		(722,445)	
Other Fin. Sources (Uses)				
Debt Proceeds	4,140,595			
Transfers In				
Transfers Out	923	4,375	448,438	
Total Other Financing	4,139,672		(448,438)	
Fund Balance:				
Encumbrances	182,468			
Designated for Cap. Proj.	13,946		9,817	
Unreserved	3,561,456		2,577,170	
Total	3,757,870		2,586,987	

Central Garage

The garage realized a net loss of $29,247 for this month of the fiscal year and a net income of $21,160 for the year to date. The Director of Public Works must review this closely during the next months to insure the net income of the Central Garage Fund does not vary greatly from the expectations provided in the Operating Budget for this fiscal year. Also, the Director should look at the extreme fluctuations in income from month to month. The chart on the right reflects the activity of the Central Garage after seven months of operation. The Fund has had only three months this year with a net income.

Central Garage Operating Statement

	Current Month	Year to Date
Revenue:		
Repairs & Other Income	125,361	$986,016
Operating Expenses:		
Personal Services	46,285	313,887
Other Services	36,759	177,406
Supplies	76,207	497,090
Capital Outlay		
Depreciation Expense	328	2,294
Total Expenses	159,579	990,677
Net Income from Operations	(34,218)	(4,661)
Other Income/Expense:		
Interest Income/Expense	661	3,204
Misc. Income	4,310	22,617
Net Income/(Loss)	($29,247)	$21,160
Fund Equity, Beginning		137,838
Fund Equity, Ending		$158,998

Street Improvement (Capital Project Fund)

The following financial analysis shows the funds available for new projects in the Street Improvements Capital Project Fund. In this analysis the amount shown as 'Due from Federal Government' represents receivables from the Missouri Department of Transportation for work performed on the Little Blue Expressway Phases I and III Crysler Avenue, and Truman Road. The amount for 'Due from Other Local Government' represents receivables from the County Urban Road System (CURS). The amount for Unexpended Appropriations shows Street funds that have been appropriated to specific projects but have not been expended. The Hub Drive Special Assessment is money that will be received over the next five years and is not available to be spent at this time.

Street Improvements Fund

Assets	
Cash	
Special Assessment Receivable	42,726
Due From Federal Government	2,034,354
Due From Other Local Government	552,300
Due From 39th Street TDD	1,200
Due from Other	169,807
Deferred Revenue	320,523
Liabilities & Credits	
Accounts Payable	195,794
Due To Other Funds	2,371,287
Funds In Escrow	700,000
Fund Balance	(146,171)
Other Activities:	
Unexpended Street Improv. Appr.	
Total Available Funds	($146,171)
Other Resources:	
Hub Drive Def. Revenue (5 Yrs.)	$42,726
Neighborhood Impr. District	$169,807
Total Funds Available	$66,362

Stay Well Health Care Plan

The Stay Well Health Care Plan is the City's self-funded health care plan for employees and retirees. The plan year for this benefit is January 2006 through December 2006. However, the reinsurance policy is obtained on a fiscal year basis.

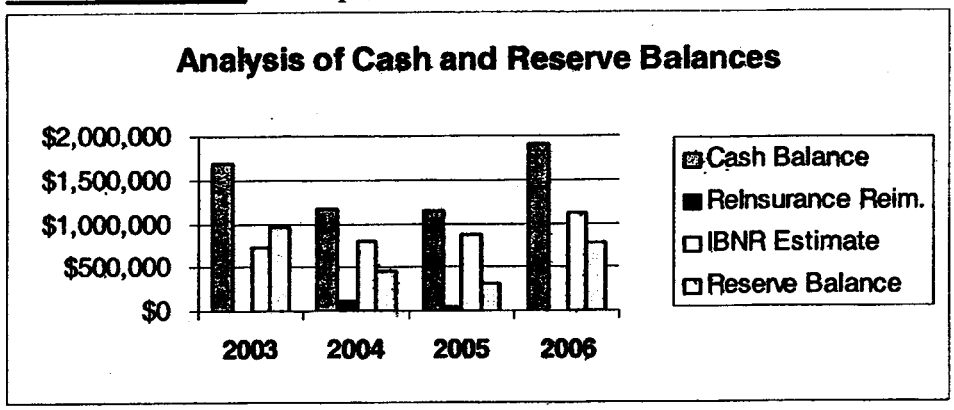
Stay Well Health Care Plan

	January 31, 2006			Plan Year To Date		
	Last Year	This Year	Change	Last Year	This Year	Change
Claims Paid	2,446	2,362	-3.4%	2,446	2,362	-3.4%
Participants	1,198	1,195	-0.3%	1,198	1,195	-0.3%
				(Participants are an average.)		
Receipts	$931,129	$1,033,514	11.0%	$931,129	$1,033,514	11.0%
Disbursements:						
Benefits	730,563	675,827	-7.5%	730,563	675,827	-7.5%
Administration	12,921	14,222	10.1%	12,921	14,222	10.1%
Reinsurance	33,827	37,124	9.7%	33,827	37,124	9.7%
PPO	3,896	3,724	-4.4%	3,896	3,724	-4.4%
Other	1,006	2,507	149.2%	1,006	2,507	149.2%
Total	$782,213	$733,404	-6.2%	$782,213	$733,404	-6.2%
Ending Cash Balance				1,145,409	1,900,298	65.9%
Accrued Reinsurance Reimbursements				38,391	0	-100.0%
Accrued Liabilities				-871,093	-1,119,765	28.5%
Ending Reserve				$312,707	$780,533	149.6%

For the month ending January 31, 2006, the Plan's receipts were $300,110 more than the Plan's disbursements. This resulted in the Plan's cash balance increasing to $1,900,298 at January 31, 2006. During January 2005, the Plan's receipts were $148,916 more than the Plan's disbursements.

The following information summarizes and compares the financial activity of the Plan and is provided to assist in the explanation of the Plan's financial position after the Plan's first month of activity. During the 2006 plan year the Plan's cash balance increased by $300,110.

Claims Processed FMH processed 2,362 medical and vision claims in January or 8% more than the 2,194 claims processed in December. In January 2006, FMH processed 3% less medical and vision claims than in January 2005.

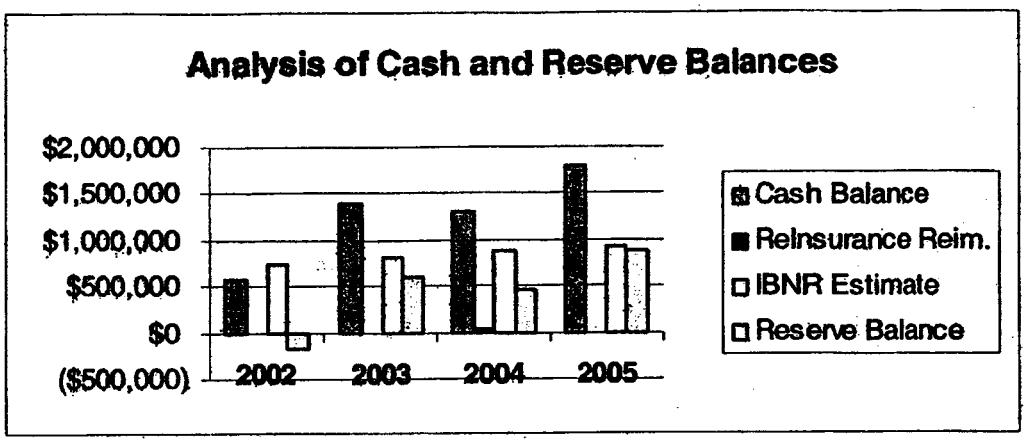


The top 20 individual claims during January accounted for 203 payments, totaling $204,079. The individual amounts paid for these members ranged from $4,946 to $22,551. During January, the top 20 individuals accounted for 44% of the total medical claims paid. Twenty covered lives represent less than 0.01% of the employees, retirees, spouses and children covered by the Plan as of January 31, 2006.

The claims discounts taken by FMH during January was $737,712 or approximately 52% of the gross medical claims submitted for the month.

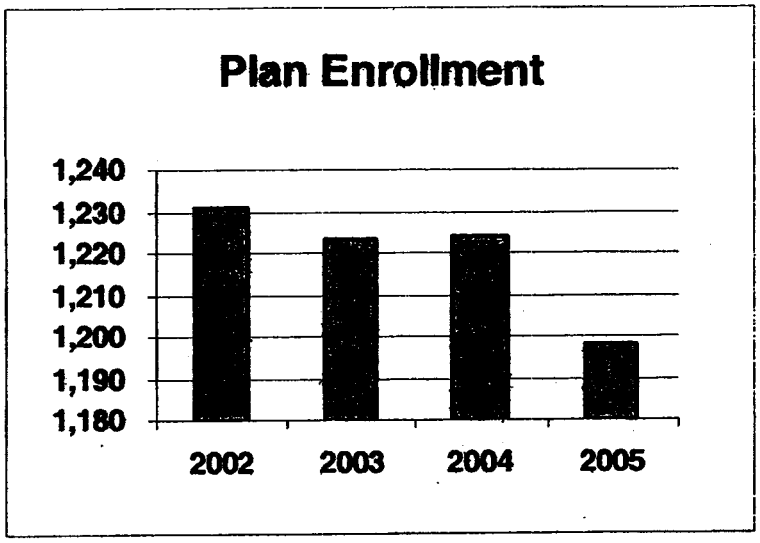
Reinsurance Coverage - Since July 1, 2005 four (4) claims has exceeded fifty percent (50%) of the Plan's $200,000 specific deductible. FMH has notified the reinsurance company of these potential claims. The Plan has paid $109,048, $114,302, $133,335 and $135,651 respectively on these claims since July 1, 2005.

Cash Balance, IBNR & Reserve Balance - The Stay Well Health Care Plan's estimated reserve balance increased during January to $780,533. This increase in the Plan's reserve balance is due to January's receipts being approximately $300,000 more than January's disbursements.



Plan Enrollment - The Plan's enrollment has decreased by 42 participants since January 2004 to 1,195 as of January 31, 2006.

Premiums and Benefit Disbursements - During January the benefit disbursements were approximately $194,000 less than in December. Benefit disbursements during January 2006 were approximately $55,000 less than in January 2005. Total disbursements during January 2006 were approximately $49,000 less than those in January 2005. Premium receipts for January 2006 increased by approximately $80,000 over the previous year.



Projected Cash Balance - On September 19, 2005, the City Council approved benefit changes to the Plan. These benefit changes were implemented in conjunction with a ten percent (10%) increase in the Plan's monthly premiums for the plan year starting January 1, 2006. Based on these benefit changes, staff projected the Plan's December 31, 2006 cash balance to be $2,017,000. Including the Plan's actual results through January and the current enrollment in the Plan, the projected December 31, 2006 cash balance is $2,239,000.

Power and Light

Total operating revenue of the Power and Light Fund of $61,857,741 reflects an increase of $12,333,487 over fiscal year 2004-05 total operating revenues of $49,524,254 or 24.9%. The increase is due to an increase of $1,180,909,of sales to other utilities, an increase of $13,140,633 in retail energy sales this was offset by a decrease in unbilled sales of $2,127,153. The increase in retail energy sales was due to warm weather and increased fuel costs being passed onto consumers.

Total operating expenses of the Power and Light Fund of $57,208,978 reflect an increase of $9,740,016 over fiscal year 2004-05 total operating expenses of $47,468,962 or 20.5%. The increase is primarily due to higher personal service of $579,251, higher supply costs of $7,160,933, higher depreciation expense of $253,756, higher payment in lieu taxes of $1,729,431, higher other expenses of $27,626 which were offset by lower other services and charges of $10,981. Due to the recent price surge of gasoline transporting costs for these shipments have increased as the fuel inventory suppliers are passing these increased costs onto us.

Water

Total operating revenues of the Water Fund of $10,864,650 reflect an increase of $885,294 from fiscal year 2004-05 total operating revenues of $9,979,355 or 8.87%. A comparatively mild summer last year coupled with a rate increase are responsible for the increase.

Total operating expenses of the Water Fund of $8,853,918 reflects an increase of $1,093,101 from fiscal year 2004-05 total operating expenses of $7,760,817 or 14.08%. Cost increases in fuel, chemicals, employee benefits, workers compensation, maintenance of mains, and maintenance of source of supply plant are responsible for the overall increase.

Sanitary Sewer

Total operating revenues of the Sanitary Sewer Fund of $8,250,000 reflect an increase of $283,048 from fiscal year 2004-05 total operating revenues of $7,966,953 or 3.553%. This increase is attributable in large part to the increase in number of customers as well as the rate increase authorized on ordinance 15527.

Total operating expenses of the Sanitary Sewer Fund of $7,936,577 reflect an increase of $536,295 from fiscal year 2004-05 total operating expenses of $7,400,282 or 7.2%. This increase is mainly attributable to increased pilots due to the inclusion of an entry for real property and to increased inter-jurisdictional activity.

I will be available to discuss any questions you may have regarding this information.

James C. Harlow
Director of Finance & Administration

City of Independence, Missouri
Analysis of General Fund Revenues - Actual Plus Estimated

Months of Actual Revenue: 7

Description	Original Budget	Revised Budget	Actual Revenue Through January	Estimated Revenue To Year End	Projection Adjustment	Total Projected Revenue	Variance To Budgeted Revenues
Property Taxes:							
General Property Taxes:							
Real Estate	6,739,205	6,739,205	6,835,467	(14,443)		6,821,023	81,818
R.R. & Other Utility	42,000	42,000	6	41,991		41,997	-3
Total Property Taxes	6,781,205	6,781,205	6,835,473	27,548		6,863,020	81,815
Sales and Use Taxes:							
Local Option Sales Tax	16,864,515	16,864,515	8,984,588	7,779,350	(425,000)	16,338,938	-525,577
Cigarette Tax	622,000	622,000	353,708	249,908		603,616	-18,384
Total Sales and Use Taxes	17,486,515	17,486,515	9,338,296	8,029,258	(425,000)	16,942,554	-543,961
Utility Franchise Fees:							
Water	23,500	23,500	14,469	9,408		23,877	377
Gas	4,500,000	4,500,000	2,425,930	2,581,582	450,000	5,457,512	957,512
Telephone	1,930,000	1,930,000	1,071,259	781,684		1,852,943	-77,057
Electricity	290,000	290,000	182,502	115,412		297,914	7,914
Cable Television	593,000	593,000	316,771	259,483		576,254	-16,746
Total Utility Franchise Fees	7,336,500	7,336,500	4,010,930	3,747,569	450,000	8,208,499	871,999
Payments in Lieu of Taxes							
Power & Light in Lieu of Taxes	8,776,278	8,776,278	6,435,706	3,175,996	94,526	9,706,228	929,950
Water Service in Lieu of Taxes	1,679,128	1,679,128	962,834	662,688		1,625,522	-53,606
Sanitary Sewer in Lieu of Taxes	1,424,106	1,424,106	801,505	591,877		1,393,382	-30,724
Total Payments in Lieu of Taxes	11,879,512	11,879,512	8,200,045	4,430,562	94,526	12,725,132	845,620
Total Taxes	43,483,732	43,483,732	28,384,744	16,234,936	119,526	44,739,206	1,255,474
Business Licenses & Permits:							
Occupation Licenses	1,467,000	1,467,000	540,127	950,194		1,490,321	23,321
Liquor Licenses	94,000	94,000	4,208	87,071		91,279	-2,721
Planning Exam & Licenses	100,000	100,000	95,781	41,683		137,464	37,464
Fin - Other License/Permits	45,000	45,000	21,991	19,629		41,620	-3,380
Building Permits, Com. Develop.	1,270,958	1,270,958	887,615	601,536		1,489,151	218,193
Construction Permits, Public Works	900,000	900,000	297,168	161,182	85,000	543,350	-356,650
Nursing Home Permits	750	750	950	134		1,084	334
Day Care Permits	7,000	7,000	1,047	3,725		4,772	-2,228
Food Handler's Permits	111,000	111,000	49,632	47,842		97,474	-13,526
Massage Therapist Appl	2,600	2,600	2,060	895		2,955	355
Other Food Permits	98,000	98,000	91,060	16,207		107,267	9,267
Ambulance Permits & Licenses	30,300	30,300	30,730	11,851		42,581	12,281
Plan Reviews - Health Dept.	7,800	7,800	1,501	2,135		3,636	-4,164
Subtotal Bus. Licenses & Permits	4,134,408	4,134,408	2,023,870	1,944,084	85,000	4,052,954	-81,454
Non-business Licenses & Permits:							
Motor Vehicle Licenses	447,000	447,000	459,676	(19,597)		440,078	-6,922
Subtotal Non-bus. Lic. & Permits	447,000	447,000	459,676	(19,597)		440,078	-6,922
Total Licenses & Permits	4,581,408	4,581,408	2,483,546	1,924,486	85,000	4,493,032	-88,376
Intergovernmental Revenue:							
Federal:							
Emergency Management		307	716	164		880	573
Public Health Nursing			100			100	100
Community Health ed							
Dial-a-ride	25,393	25,393		17,741	6,507	24,248	-1,145
Other			21,498			21,498	21,498
Total Federal	25,393	25,700	22,314	17,906	6,507	46,727	21,027

City of Independence, Missouri
Analysis of General Fund Revenues - Actual Plus Estimated

Months of Actual Revenue: 7							
Description	Original Budget	Revised Budget	Actual Revenue Through January	Estimated Revenue To Year End	Projection Adjustment	Total Projected Revenue	Variance To Budgeted Revenues
State:							
Financial Institutions Tax	37,000	37,000	21,677	537		22,214	-14,786
Gasoline Tax	3,348,000	3,348,000	1,920,627	1,379,583		3,300,210	-47,790
Motor Vehicle License Fees	612,000	612,000	327,906	279,139		607,045	-4,955
Motor Vehicle Sales Tax	866,000	866,000	432,860	367,856		800,716	-65,284
Other							
Total State	4,863,000	4,863,000	2,703,069	2,027,116		4,730,186	-132,814
Other:							
Jackson County Drug Task Force	439,736	439,736	186,363	219,475	28,500	434,338	-5,398
Jackson County Dare Program	377,238	377,238	353,273	47,228	(119,031)	281,470	-95,768
Mid Am Reg Council	25,000	25,000	14,583	14,501	(2,456)	26,629	1,629
Other Misc. Grants							
Total Other	841,974	841,974	554,219	281,204	(92,987)	742,436	-99,538
Total Intergovernmental Revenue	5,730,367	5,730,674	3,279,603	2,326,226	(86,480)	5,519,349	-211,325
Charges for Current Services:							
General Government:							
Planning & Zoning Fees	47,500	47,500	26,687	20,786		47,473	-27
Board of Adjustment Fees	5,550	5,550	3,152	2,770		5,922	372
Sale of Maps, Books, Plans	20,000	20,000	5,215	11,654		16,870	-3,130
Sale of Police Reports	44,500	44,500	27,875	18,449		46,324	1,824
Sale of Fire Reports	130	130	315	52		367	237
Computer Service Charges	34,000	34,000	15,689	16,304		31,993	-2,007
Health:							
Animal Shelter Fees	62,000	62,000	33,209	26,400		59,609	-2,391
Animal ID Tags	1,300	1,300	2,110	779		2,889	1,589
Health Training Programs		1,000					-1,000
Public Safety:							
Reimb. For Police Services			27,170			27,170	27,170
School Resource Officers	361,694	361,694	203,432	186,485		389,916	28,222
Alarm Charges - Police	36,750	36,750	28,518	14,935		43,453	6,703
Alarm Charges - Fire	4,050	4,050	1,300	1,186		2,486	-1,564
Recreation:							
Class Fees	40,000	40,000	31,568	20,248		51,816	11,816
Park Concessions	8,000	8,000	5,043	3,075		8,118	118
Pool Fees							
Recreation Centers	22,000	22,000	12,345	10,330		22,675	675
Recreation Rentals	80,000	80,000	65,865	44,010		109,875	29,875
National Frontier Trails Center:							
NFTC - Admissions & Rentals	50,000	50,000	23,517	22,079		45,596	-4,404
NFTC - Gift Shop	50,000	50,000	21,444	21,331		42,775	-7,225
Cemetery:							
Sale of Cemetery Lots	9,000	9,000	2,100	2,989		5,089	-3,911
Sale of Monument Bases	4,000	4,000	2,154	1,468		3,621	-379
Grave Opening Charges	48,000	48,000	35,200	20,416		55,616	7,616
Other Charges:							
Sale of Street Signs	5,000	5,000	574	1,801		2,375	-2,625
Special Assessments	112,000	112,000	76,830	61,487		138,317	26,317
Sale of Recycled Material	32,000	32,000	18,328	15,374		33,701	1,701
Solid Waste Disp Fees	66,000	66,000	54,799	29,803		84,602	18,602
Miscellaneous Charges	150,000	150,000	27,238	115,966		143,204	-6,796
Total Charges for Current Services	1,293,474	1,294,474	751,677	670,177		1,421,854	127,380

City of Independence, Missouri
Analysis of General Fund Revenues - Actual Plus Estimated

Months of Actual Revenue: 7							
Description	Original Budget	Revised Budget	Actual Revenue Through January	Estimated Revenue To Year End	Projection Adjustment	Total Projected Revenue	Variance To Budgeted Revenues
Fines and Court Costs							
Fines & Forfeitures	3,190,121	3,190,121	1,890,687	1,393,012		3,283,699	93,578
Court Costs	388,337	388,337	199,169	166,482	50,000	415,650	27,313
Police Training	60,525	60,525	31,886	25,860		57,746	-2,779
Domestic Violence	61,732	61,732	31,859	27,129		58,988	-2,744
Dwi/drug	35,647	35,647	19,994	15,907		35,901	254
Special Warrant Collection							
Total Fines and Court Costs	3,736,362	3,736,362	2,173,595	1,628,390	50,000	3,851,985	115,623
Interest Income							
Interest	77,000	77,000	27,745	37,215		64,961	-12,039
Special Assessments - Interest	5,500	5,500	5,228	2,776		8,004	2,504
Interest - Other	65,000	65,000	38,441	35,375		73,816	8,816
Total Interest Income	147,500	147,500	71,415	75,365		146,780	-720
Interfund Chgs. For Supp. Serv.	2,795,350	2,795,350	1,630,622	1,198,082		2,828,704	33,354
Other Revenue:							
Sale of Land			1,640			1,640	1,640
Sale of Fixed Assets	15,000	15,000	43,775	8,378		52,153	37,153
Rents	201,150	201,150	75,273	84,166		159,438	-41,712
Damage Claims	30,000	30,000	4,458	11,601		16,059	-13,941
Contributions	90,000	90,000	5,518	58,442		63,960	-26,040
Housing Auth. In Lieu of Taxes							
Cash Over/Short			1,067			1,067	1,067
Discounts Taken	500	500	200	207		407	-93
Misc. Non-operating Revenue	150,000	150,000	144,460	75,568		220,027	70,027
Proceed from Capital Lease							
Total Other Revenue	486,650	486,650	276,391	238,361		514,751	28,101
Total Revenue	62,254,843	62,256,150	39,051,592	24,296,023	168,046	63,515,661	1,259,511

City of Independence, Missouri
Analysis of General Fund Undesignated Fund Balance

Beginning Unreserved Fund Balance		$ 1,903,961
Current Fiscal Year Activity:		
Budgeted Revenues over (under) Expenditures		142,357
Revenue Variance		1,259,511
Expenditure Variance		(557,312)
Transfer of GTIF Appropriations to 'Transfers Out'		
Prior Year Encumbrance Savings		51,351
Reservations of Fund Balance:		
Protested Revenues		
Amoco Agreement		
Police Equipment		
Total		0
Appropriations and Designations:		
Audit Increase		
Police Grant		
Homeland Security Grant (Ord. # 15634)		
Total		0
Transfers Out:		
Employee Benefits Fund		
Storm Water Fund	(105,357)	
Santa Fe TIF (Vehicle Sales Tax)	(37,000)	
Total		(142,357)
Transfers In:		
Total		0
Other:		
Carryover of Grant (Match)		
Carryover of Grant (Match) Health		
LLEBG Grant - Local Match	(5,515)	
Interoperable Communications Grant (Ord. # 15630)	???	
Total		(5,515)
Projected Year End Unreserved Fund Balance		$ 2,651,996

Notes:

City of Independence, Missouri
Balance Sheet
Governmental Funds
January 31, 2006

Assets	General	Other Governmental Funds	Total Governmental Funds
Pooled cash and investments	$ 5,572,111	30,392,627	35,964,738
Receivables:			
Taxes	3,447,682	2,646,125	6,093,807
Accounts	256,819	11,701	268,520
Special assessment principal and accrued interest	568,365	1,614,210	2,182,575
Accrued interest	28,405	333,575	361,980
Due from other funds	-	-	-
Due from other governments	737,177	5,759,554	6,496,732
Restricted assets	405,602	14,623,678	15,029,281
Advance to other funds	-	16,500	16,500
Total assets	11,016,161	55,397,971	66,414,132
Liabilities and Fund Balances			
Liabilities:			
Accounts and contracts payable	$ (670,000)	2,213,586	1,543,586
Due to other funds	-	102,300	102,300
Accrued items	2,217,232	86,093	2,303,325
Other current liabilities	694,796	743,185	1,437,981
Deferred revenue	568,077	1,116,530	1,684,607
Liabilities payable from restricted assets:			
Deposits and court bonds	184,117	-	184,117
Advances from other funds	-	16,500	16,500
Total liabilities	2,994,222	4,278,194	7,272,416
Fund Balances:			
Reserved for:			
Encumbrances	2,051,511	22,709,786	24,761,298
Debt service	-	-	-
Domestic violence	5,394	-	5,394
Other purposes	481,836	9,078,551	9,560,387
Unreserved, reported in:			
General fund	5,156,298	-	5,156,298
Special revenue funds	-	19,781,786	19,781,786
Debt Service fund	-	169,462	169,462
Capital project funds	-	(7,571,024)	(7,571,024)
Other	-	8,972	8,972
Designated general fund	326,900	-	326,900
Designated special revenue funds	-	1,448,001	1,448,001
Designated capital project funds	-	5,489,243	5,489,243
Designated other	-	5,000	5,000
Total fund balance	8,021,939	51,119,778	59,141,717
Total liabilities and fund balance	$ 11,016,161	55,397,971	66,414,132

See accompanying reports for detail on Other Governmental Funds.

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Seven Months Ending January 31, 2006

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	$ 20,184,699	17,180,369	37,365,068
Licenses and permits	2,483,546	354,090	2,837,636
Intergovernmental	3,279,603	6,077,986	9,357,588
Charges for services	751,677	527,180	1,278,857
Interfund charges for support services	1,630,622	-	1,630,622
Fines, forfeitures, and court costs	2,173,595	-	2,173,595
Investment Income	71,415	817,564	888,979
Sale of property, plant, and equipment	9,293	-	9,293
Other	267,098	53,797	320,895
Total revenues	30,851,547	25,010,985	55,862,531
Expenditures:			
Current:			
General government	3,996,976	26,399	4,023,376
Public safety	19,434,017	2,919,854	22,353,870
Public works	4,176,357	-	4,176,357
Health and welfare	1,212,834	378,320	1,591,155
Culture and recreation	1,120,316	1,209,694	2,330,011
Community development	1,363,883	821,028	2,184,911
Storm Water	171,342	501,409	672,751
Nondepartmental/other	3,748,694	36,924	3,785,618
Capital outlay	279,958	18,559,869	18,839,827
Debt service:			
Principal	217,940	1,230,000	1,447,940
Interest and fiscal agent fees	61,689	2,353,667	2,415,355
Total expenditures	35,784,005	28,037,164	63,821,169
Excess (deficiency) of revenues over expenditures	(4,932,458)	(3,026,180)	(7,958,638)
Other financing sources (uses):			
Proceeds from capital leases/bond issuance	-	-	-
Utility payments in lieu of taxes	8,200,045	-	8,200,045
Operating transfers in	-	630,500	630,500
Operating transfers out	(93,303)	(404,516)	(497,819)
Total other financing sources (uses)	8,106,742	225,984	8,332,726
Net change in fund balances	3,174,284	(2,800,196)	374,088
Fund balances, beginning	4,847,655	53,920,268	58,767,924
Fund balances, ending	$ 8,021,939	51,120,073	59,142,012

See accompanying reports for detail on Other Governmental Funds.

City of Independence, Missouri
Statement of Expenditures & Encumbrances
General Fund
For the Seven Months Ending January 31, 2006

	Original Budget	Revised Budget	Expenditures - Current Year	Expenditures - Prior Year	Total Expenditures	Encumbrances - Current Year
General Government:						
City Council	354,366	354,366	204,449	514	204,963	809
City Clerk	417,900	417,900	253,410	4,187	257,597	5,350
City Manager	724,173	724,173	428,196	3,336	431,532	4,274
National Frontier Trails Center	337,625	337,625	186,420	1,287	187,707	1,111
Technology Services	1,544,424	1,544,424	914,326	2,024	916,350	8,285
Municipal Court	683,459	683,459	397,460	2,976	400,437	5,000
Law	621,377	621,377	348,048	15	348,063	-
Finance	1,638,272	1,638,272	958,498	33,427	991,926	8,150
Human Resources	484,431	484,431	277,698	-	277,698	2,885
Total General Government	6,806,027	6,806,027	3,968,506	47,766	4,016,272	35,864
Public Safety:						
Community Development	2,547,033	2,547,033	1,351,800	12,083	1,363,883	341,564
Police	19,421,996	19,443,100	11,486,524	101,282	11,587,806	374,402
Fire	13,478,138	13,478,445	7,945,793	74,990	8,020,784	126,376
Total Public Safety	35,447,167	35,468,578	20,784,117	188,356	20,972,473	842,342
Public Works	6,607,912	6,607,912	3,910,828	265,529	4,176,357	360,543
Storm Water	296,739	296,739	171,147	195	171,342	8,302
Health	2,135,105	2,135,105	1,171,757	41,077	1,212,834	2,806
Parks and Recreation	2,052,914	2,052,914	1,119,524	793	1,120,316	72,625
Non-Departmental	7,283,910	7,283,910	3,573,720	13,324	3,587,044	79,280
Council Goals	350,000	888,796	111,469	50,180	161,650	204,117
Debt Service	91,262	91,262	63,883	-	63,883	27,378
Capital Outlay	791,450	791,450	180,705	22,899	203,604	78,303
TIF Distribution	250,000	681,371	6,080	92,151	98,231	19,843
Total Other	19,859,292	20,829,459	10,309,112	486,149	10,795,261	853,198
Total Expenditures & Encumbrances	62,112,486	63,104,064	35,061,735	722,270	35,784,005	1,731,405

CITY OF INDEPENDENCE, MISSOURI

Balance Sheet

Proprietary Funds

January 31, 2006

	Enterprise Funds				
Assets	Power and Light	Water	Sanitary Sewer	Total	Internal Service Funds
Current assets:					
Pooled cash and investments	$ 40,200,025	12,255,991	10,532,955	62,988,970	2,055,903
Receivables:					
Accounts (net of allowance of $795,561)	7,164,905	1,667,234	1,033,503	9,865,642	6,142
Unbilled revenue	4,925,841	802,817	957,456	6,686,114	—
Special assessment principal and accrued interest	4,275	106,312	101,812	212,399	—
Accrued interest	431,002	126,322	125,028	682,353	3,649
Other	—	124,108	—	124,108	—
Due from other funds	102,300	—	—	102,300	—
Inventory	7,584,156	599,715	59,176	8,243,047	38,870
Prepaid items	402,412	—	—	402,412	—
Total current assets	60,814,916	15,682,499	12,809,929	89,307,345	2,104,564
Noncurrent assets:					
Restricted assets	2,453,819	770,071	200,576	3,424,465	—
Capital assets:					
Nondepreciable	11,677,906	23,090,152	10,212,487	44,980,545	93,979
Depreciable, net	126,532,506	73,815,730	50,010,252	250,358,488	3,967
Advance to other funds	—	—	—	—	—
Deferred debt issue costs	329,465	933,982	—	1,263,447	—
Prepaid employee benefits	—	—	—	—	—
Other deferred charges	(114,394)	692,332	0	577,938	—
Total noncurrent assets	140,879,301	99,302,267	60,423,315	300,604,883	97,946
Total assets	$ 201,694,218	114,984,766	73,233,244	389,912,228	2,202,510
Liabilities and Net Assets					
Current liabilities:					
Accounts and contracts payable	$ 4,111,012	682,768	301,816	5,095,596	70,250
Accrued items	411,523	167,565	338,283	917,371	9,741
Other current liabilities	—	447,685	46,157	493,842	—
Deferred revenue	—	—	—	—	—
Current portion of long-term obligations	2,963,677	2,401,953	218,826	5,584,456	25,697
Employee benefits payable	—	—	—	—	—
Medical self-insurance claims	—	—	—	—	1,119,765
Liabilities payable from restricted assets	1,035,455	728,689	171,809	1,935,952	—
Total current liabilities	8,521,667	4,428,661	1,076,891	14,027,218	1,225,453
Noncurrent liabilities:					
Revenue bonds payable	16,678,942	40,550,000	—	57,228,942	—
Compensated absences – long-term	3,027,664	862,725	528,505	4,418,894	33,878
Advances for construction	280,880	156,524	10,161	447,564	—
Total noncurrent liabilities	19,987,485	41,569,249	538,665	62,095,400	33,878
Total liabilities	28,509,152	45,997,910	1,615,556	76,122,618	1,259,331
Net Assets					
Invested in capital assets, net of related debt	119,935,935	55,249,864	60,222,739	235,408,538	97,946
Restricted for:					
Debt service	—	500,000	—	500,000	—
Unrestricted	53,249,130	13,236,992	11,394,949	77,881,072	845,233
Total net assets	173,185,065	68,986,856	71,617,688	313,789,610	943,179
Total liabilities and net assets	$ 201,694,218	114,984,766	73,233,244	389,912,228	2,202,510

CITY OF INDEPENDENCE, MISSOURI

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

Proprietary Funds

Year ended January 31, 2006

	Enterprise Funds				
	Power and Light	Water	Sanitary Sewer	Totals	Internal Service Funds
Operating revenues:					
Charges for services	$ 61,129,467	10,710,095	8,173,955	80,013,518	986,016
Miscellaneous	728,274	154,554	76,045	958,873	6,547,657
Total operating revenues	61,857,741	10,864,650	8,250,000	80,972,391	7,533,673
Operating expenses:					
Personal services	8,258,939	3,621,941	2,358,016	14,238,896	313,887
Other services	5,142,563	1,801,652	3,158,947	10,103,162	6,532,438
Capital Outlay	—	32,618	—	32,618	—
Supplies	28,060,818	763,263	310,017	29,134,097	497,138
Other expenses	3,443,322	1,407,318	48,194	4,898,834	—
Depreciation and amortization	5,867,629	1,227,126	1,259,898	8,354,653	2,294
Total operating expenses	50,773,272	8,853,918	7,135,072	66,762,262	7,345,758
Operating income	11,084,469	2,010,732	1,114,928	14,210,129	187,915
Nonoperating revenues (expenses):					
Interest revenue	819,175	282,570	247,760	1,349,505	38,569
Miscellaneous revenue	198,840	1,058,555	27,603	1,284,998	173,001
Interest expense	(649,792)	(1,283,258)	—	(1,933,049)	—
Total nonoperating revenue (expenses)	368,223	57,867	275,363	701,453	211,571
Income before contributions and transfers	11,452,692	2,068,599	1,390,292	14,911,582	399,486
Capital contributions	10,303	703,676	6,355	720,334	—
Transfers out - Utility payments in lieu of taxes	(6,515,052)	(1,042,180)	(880,851)	(8,438,083)	—
Transfers in	—	—	105,357	105,357	—
Change in net assets	4,947,944	1,730,094	621,153	7,299,191	399,486
Total net assets:					
Beginning of the period	168,237,122	67,256,762	70,996,535	306,490,419	543,693
End of the period	$ 173,185,066	68,986,856	71,617,688	313,789,610	943,179

CITY OF INDEPENDENCE, MISSOURI

Statement of Fiduciary Net Assets

Fiduciary Funds

January 31, 2006

	Private-Purpose Trust Funds	Agency Funds
Assets		
Pooled cash and investments	$ 60,119	108,172
Accrued interest receivable	-	608
Total assets	$ 60,119	108,780
Liabilities		
Accounts and contacts payable	$ —	—
Funds held in Escrow	—	41,047
Employee deferred credit	—	67,733
Total liabilities	$ 374	108,780
Net Assets		
Held in trust	$ 59,745	

City of Independence, Missouri
Combining Balance Sheet
Special Revenue Funds
January 31, 2006

Assets	Tourism	Independence Square Benefit District	Community Development Grant Act	Rental Rehabilitation	Consolidated Sales Tax	License Surcharge	Grants	Total
Pooled cash and investments	$ 990,223	22,951	(229,440)	(223,191)	24,090,095	3,150,959	(173,003)	27,628,596
Receivables:								
Taxes	86,000	4,971	-	-	2,437,979	-	-	2,528,950
Accounts	-	-	-	-	-	-	11,671	11,671
Special assessment principal and accrued interest	-	-	-	-	-	-	-	-
Accrued interest	-	-	-	-	320,262	13,313	-	333,575
Due from other governments	-	-	239,736	297,462	-	-	134,564	671,762
Restricted assets	-	-	-	-	24,158	-	-	24,158
Advance to other funds	-	-	-	-	16,500	-	-	16,500
Total assets	$ 1,076,223	27,922	10,296	74,271	26,888,994	3,164,272	(26,769)	31,215,211

Liabilities and Fund Balances	Tourism	Independence Square Benefit District	Community Development Grant Act	Rental Rehabilitation	Sales Tax	License Surcharge	Grants	Total
Liabilities:								
Accounts and contracts payable	$ 13,935	-	5,084	30,137	1,650,305	-	74,913	1,774,374
Due to other funds	-	-	-	-	-	-	-	-
Accrued items	12,468	-	5,212	3,179	41,129	-	24,104	86,093
Other current liabilities	-	-	-	40,952	-	-	-	40,952
Deferred revenue	-	-	-	-	-	-	35,682	35,682
Total liabilities	26,403	-	10,296	74,268	1,691,434	-	134,700	1,937,101
Fund Balances:								
Reserved for:								
Encumbrances	248,696	-	231,099	296,214	6,991,324	-	246,843	8,014,177
Other purposes	-	-	-	-	34,146	-	-	34,146
Unreserved, reported in:								
Special revenue funds	491,485	27,922	(231,099)	(296,211)	17,361,962	2,836,986	(409,239)	19,781,786
Designated special revenue funds	309,639	-	-	-	810,129	327,307	927	1,448,001
Total fund balance	1,049,820	27,922	0	4	25,197,561	3,164,272	(161,469)	29,278,110
Total liabilities and fund balance	$ 1,076,223	27,922	10,296	74,271	26,888,994	3,164,272	(26,769)	31,215,211

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
Special Revenue Funds
For the Seven Months Ending January 31, 2006

	Tourism	Independence Square Benefit District	Community Development Grant Act	Rental Rehabilitation	Sales Tax	License Surcharge	Grants	Total
Revenues:								
Taxes	$ 602,976	23,748	-	-	10,764,482	-	-	11,391,206
Licenses and permits	-	-	-	-	-	354,090	-	354,090
Intergovernmental	19,240	-	430,499	401,409	247,067	-	967,537	2,065,752
Charges for services	125	-	-	-	352,399	-	59,224	411,749
Investment income	24,177	338	-	-	544,532	65,719	104	634,871
Other	1,000	-	-	-	17,281	-	10,868	29,149
Total revenues	647,518	24,087	430,499	401,409	11,925,762	419,809	1,037,733	14,886,816
Expenditures:								
Current:								
General government	-	-	-	-	-	-	26,399	26,399
Public safety	-	-	-	-	2,240,748	-	679,106	2,919,854
Public works	-	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	378,320	378,320
Culture and recreation	453,106	-	-	-	756,589	-	-	1,209,694
Community development	-	-	419,619	401,409	-	-	-	821,028
Storm water	-	-	-	-	501,409	-	-	501,409
Nondepartmental	-	-	-	-	1,260	-	34,630	35,890
Capital outlay	-	380	-	-	9,365,762	-	-	9,366,142
Debt service:								
Principal	-	-	-	-	1,230,000	-	-	1,230,000
Interest and fiscal agent fees	-	-	-	-	549,620	-	-	549,620
Total expenditures	453,106	380	419,619	401,409	14,845,387	-	1,118,456	17,038,358
Excess (deficiency) of revenues over expenditures	194,412	23,707	10,880	0	(2,719,625)	419,809	(80,722)	(2,151,540)
Other financing sources (uses):								
Proceeds from capital leases	-	-	-	-	-	-	-	-
Utility payments in lieu of taxes								
Proceeds from bond issuance	-	-	-	-	-	-	-	-
Operating transfers in	-	-	-	-	1,088	-	-	1,088
Operating transfers out	-	-	(10,880)	-	(257,842)	(54,225)	(81,569)	(404,516)
Total other financing sources (uses)	-	-	(10,880)	-	(256,754)	(54,225)	(81,569)	(403,428)
Net change in fund balances	194,412	23,707	0	0	(2,976,379)	365,584	(162,292)	(2,554,968)
Fund balances, beginning	855,408	4,216	-	4	28,173,940	2,798,688	823	31,833,079
Fund balances, ending	$ 1,049,820	27,922	0	4	25,197,561	3,164,272	(161,469)	29,278,110

City of Independence, Missouri
Balance Sheet
Sales Tax Funds
January 31, 2006

Assets	Street Sales Tax	Parks Sales Tax	Storm Water Sales Tax	Police Sales Tax	Fire Sales Tax	Total Sales Tax Funds
Pooled cash and investments	6,377,423	719,451	8,793,462	3,408,248	4,791,511	24,090,095
Receivables:						
Taxes	731,922	486,388	486,432	243,160	486,077	2,437,979
Accounts (net of allowance of $443,838) (note 1D)	-	-	-	-	-	-
Accrued interest	135,679	-	73,221	59,427	51,934	320,262
Other	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Due from other governments	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
Restricted assets	2,278	(79)	-	9,817	12,142	24,158
Advance to other funds	-	16,500	-	-	-	16,500
Deferred debt issue costs	-	-	-	-	-	-
Other deferred charges	-	-	-	-	-	-
Total assets	$ 7,247,302	$ 1,224,260	$ 9,355,116	$ 3,720,652	$ 5,341,664	$ 26,888,994

Liabilities and Fund Balances	Street Sales Tax	Parks Sales Tax	Storm Water Sales Tax	Police Sales Tax	Fire Sales Tax	Total Sales Tax Funds
Liabilities:						
Accounts and contracts payable	659,363	131,607	439,731	6,543	413,060	1,650,305
Due to other funds	-	-	-	-	-	-
Accrued items	-	24,301	16,828	-	-	41,129
Other current liabilities	-	-	-	-	-	-
Advances for construction	-	-	-	-	-	-
Advances from other funds	-	-	-	-	-	-
Total liabilities	659,363	155,908	456,559	6,543	413,060	1,691,434
Fund Balances:						
Reserved for:						
Encumbrances	1,727,282	1,166,212	1,392,639	927,747	1,777,444	6,991,324
Debt service	-	-	-	-	-	-
Other purposes	2,278	9,909	-	9,817	12,142	34,146
Unreserved, reported in:						-
Special revenue funds	4,858,379	(107,769)	6,695,788	2,776,545	3,139,018	17,361,962
Designated special revenue funds	-	-	810,129	-	-	810,129
Total fund balance	6,587,939	1,068,352	8,898,556	3,714,109	4,928,604	25,197,561
Total liabilities and fund balance	$ 7,247,302	$ 1,224,260	$ 9,355,116	$ 3,720,652	$ 5,341,664	$ 26,888,994

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
Sales Tax Funds
For the Seven Months Ending January 31, 2006

	Street Improvement Sales Tax	Park Improvement Sales Tax	Storm Water Sales Tax	Public Safety Sales Tax	Fire Sales Tax	Total Sales Tax Funds
Revenues:						
Taxes	3,229,692	2,002,525	2,153,773	1,161,392	2,217,100	10,764,482
Licenses and permits	-	-	-	-	-	-
Intergovernmental	16,000	-	231,067	-	-	247,067
Charges for services	5,112	347,287	-	-	-	352,399
Investment income	140,936	21,812	190,783	79,704	111,316	544,532
Other	12,000	1,383	3,918	-	-	17,281
Total revenues	3,403,741	2,372,987	2,579,522	1,241,096	2,328,417	11,925,762
Expenditures:						
Current:						
General government	-	-	-	-	-	-
Public safety	-	-	-	1,071,379	1,169,369	2,240,748
Public works	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Culture and recreation	-	756,589	-	-	-	756,589
Community development	-	-	-	-	-	-
Storm Water	-	-	501,409	-	-	501,409
Nondepartmental/other	1,260	-	-	-	-	1,260
Capital outlay	4,481,497	837,616	2,593,447	-	1,453,202	9,365,762
Debt service:						
Principal	595,000	635,000	-	-	-	1,230,000
Interest and fiscal agent fees	80,714	272,469	-	94,681	101,758	549,620
Total expenditures	5,158,470	2,501,674	3,094,856	1,166,060	2,724,327	14,645,387
Excess (deficiency) of revenues over expenditures	(1,754,729)	(128,687)	(515,334)	75,036	(395,910)	(2,719,625)
Other financing sources (uses):						
Proceeds from capital leases	-	-	-	-	-	-
Proceeds from bond issuance	-	-	-	-	-	-
Operating transfers in	-	-	1,088	-	-	1,088
Operating transfers out	(2,549)	(1,699)	(1,699)	(118,796)	(133,098)	(257,842)
Total other financing sources (uses)	(2,549)	(1,699)	(611)	(118,796)	(133,098)	(256,754)
Net change in fund balances	(1,757,278)	(130,386)	(515,946)	(43,761)	(529,008)	(2,976,379)
Fund balances, beginning	8,345,218	1,198,738	9,414,502	3,757,870	5,457,612	28,173,940
Fund balances, ending	6,587,939	1,068,352	8,898,556	$ 3,714,109	4,928,604	25,197,561

City of Independence, Missouri
Balance Sheet
Debt Service Fund
January 31, 2006

Assets	**Debt Service Fund**	**Total**
Pooled cash and investments	$ 75,155	75,155
Receivables:		
Special assessment principal and accrued interest	1,401,677	1,401,677
Restricted assets	94,000	94,000
Total assets	$ 1,570,832	1,570,832

	Debt Service Fund	**Total**
Liabilities and Fund Balances		
Liabilities:		
Deferred revenue	$ 1,401,370	1,401,370
Total liabilities	1,401,370	1,401,370
Fund Balances:		
Reserved for:		
Encumbrances	-	-
Debt service	-	-
Unreserved, reported in:		
Debt Service fund	169,462	169,462
Total fund balance	169,462	169,462
Total liabilities and fund balance	$ 1,570,832	1,570,832

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
Debt Service Fund
For the Seven Months Ending January 31, 2006

	Debt Service Fund	Total
Revenues:		
Charges for services	$ 103,039	103,039
Investment Income	2,777	2,777
Total revenues	105,815	105,815
Expenditures:		
Current:		
Nondepartmental	1,034	1,034
Debt service:		
Principal	-	-
Interest and fiscal agent fees	27,598	27,598
Total expenditures	28,632	28,632
Excess (deficiency) of revenues over expenditures	77,184	77,184
Other financing sources (uses):		
Proceeds from capital leases	-	-
Utility payments in lieu of taxes		
Proceeds from bond issuance	-	-
Operating transfers in	-	-
Operating transfers out	-	-
Total other financing sources (uses)	-	-
Net change in fund balances	77,184	77,184
Fund balances, beginning	92,278	92,278
Fund balances, ending	$ 169,462	169,462

City of Independence, Missouri
Combining Balance Sheet
Capital Projects Funds
January 31, 2006

Assets	Street Improvements	Revolving Public Improvements	Consolidated Tax Increment Financing	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total
Pooled cash and investments	$ (2,371,287)	17,895	7,125,543	(2,090,232)	(16,155)	9,141	2,674,905
Receivables:							
Taxes	-	-	117,175	-	-	-	117,175
Accounts	-	-	30	-	-	-	30
Special assessment principal and accrued interest	212,533	-	-	-	-	-	212,533
Due from other governments	2,587,854	-	343,245	2,156,694	-	-	5,087,793
Restricted assets	-	-	14,505,520	-	-	-	14,505,520
Total assets	$ 429,100	$ 17,895	22,091,514	66,462	(16,155)	9,141	22,597,957

Liabilities and Fund Balances	Street Improvements	Revolving Public Improvements	Tax Increment Financing	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total
Liabilities:							
Accounts and contracts payable	$ 195,794	-	243,454	-	-	(35)	439,213
Due to other funds	-	-	102,300	-	-	-	102,300
Other current liabilities	700,000	-	2,233	-	-	-	702,233
Deferred revenue	(320,523)	-	-	-	-	-	(320,523)
Advances from other funds	-	-	16,500	-	-	-	16,500
Total liabilities	575,271	-	364,487	-	-	(35)	939,723
Fund Balances:							
Reserved for:							
Encumbrances	7,311,252	-	58,187	7,326,171	-	-	14,695,610
Other purposes	-	-	9,044,405	-	-	-	9,044,405
Unreserved, reported in:							
Capital project funds	(7,457,423)	17,895	7,135,192	(7,259,709)	(16,155)	9,176	(7,571,024)
Designated capital project funds	-	-	5,489,243	-	-	-	5,489,243
Total fund balance	(146,171)	17,895	21,727,027	66,462	(16,155)	9,176	21,658,234
Total liabilities and fund balance	$ 429,100	$ 17,895	22,091,514	66,462	(16,155)	9,141	22,597,957

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
Capital Project Funds
For the Seven Months Ending January 31, 2006

	Street Improvements	Revolving Public Improvements	Consolidated Tax Increment Financing	Buildings and Other Improvements	Storm Drainage	Park Improvements	Total
Revenues:							
Taxes	$ -	-	5,789,163	-	-	-	5,789,163
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	1,789,489	-	-	2,222,745	-	-	4,012,234
Utility payments in lieu of taxes	-	-	-	-	-	-	-
Charges for services	12,392	-	-	-	-	-	12,392
Interfund charges for support services	-	-	-	-	-	-	-
Fines, forfeitures, and court costs	-	-	-	-	-	-	-
Investment income	(82,881)	456	261,985	-	-	-	179,560
Sale of property, plant, and equipment	-	-	-	-	-	-	-
Other	17,913	-	14,135	-	-	(7,400)	24,648
Total revenues	1,736,913	456	6,065,283	2,222,745	-	(7,400)	10,017,997
Expenditures:							
Current:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	-
Nondepartmental	-	-	-	-	-	-	-
Capital outlay	1,901,891	-	4,657,546	2,641,690	-	(7,400)	9,193,727
Debt service:							
Principal	-	-	-	-	-	-	-
Interest and fiscal agent fees	-	-	1,776,449	-	-	-	1,776,449
Total expenditures	1,901,891	-	6,433,995	2,641,690	-	(7,400)	10,970,176
Excess (deficiency) of revenues over expenditures	(164,979)	456	(368,712)	(418,945)	-	-	(952,179)
Other financing sources (uses):							
Proceeds from capital leases/bond issuance	-	-	-	-	-	-	-
Proceeds from bond issuance			-				-
Operating transfers in	38,712	-	15,293	575,407	-	-	629,412
Operating transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	38,712	-	15,293	575,407	-	-	629,412
Net change in fund balances	(126,267)	456	(353,419)	156,462	-	-	(322,767)
Fund balances, beginning	(19,609)	17,439	22,080,446	(90,000)	(16,155)	9,176	21,981,296
Fund balances, ending	$ (145,876)	17,895	21,727,027	66,462	(16,155)	9,176	21,658,529

City of Independence, Missouri
Balance Sheet
Permanent Fund
January 31, 2006

	Permanent Fund Waggoner Memorial	Total
Assets		
Pooled cash and investments	$ 13,972	13,972
Total assets	$ 13,972	13,972

	Permanent Fund Waggoner Memorial	Total
Liabilities and Fund Balances		
Liabilities:		
Total liabilities	-	-
Fund Balances:		
Reserved for:		
Encumbrances	-	-
Other purposes	-	-
Unreserved, reported in:		
Other	8,972	8,972
Designated other	5,000	5,000
Total fund balance	13,972	13,972
Total liabilities and fund balance	$ 13,972	13,972

City of Independence, Missouri
Statement of Revenues, Expenditures, and Changes in Fund Balances
Permanent Funds
For the Seven Months Ending January 31, 2006

	Permanent Fund Waggoner Memorial	Total
Revenues:		
Investment Income	$ 356	356
Total revenues	356	356
Expenditures:		
Total expenditures	-	-
Excess (deficiency) of revenues over expenditures	356	356
Other financing sources (uses):		
Proceeds from capital leases	-	-
Utility payments in lieu of taxes	-	
Proceeds from bond issuance	-	-
Operating transfers in	-	-
Operating transfers out	-	-
Total other financing sources (uses)	-	-
Net change in fund balances	356	356
Fund balances, beginning	13,616	13,616
Fund balances, ending	$ 13,972	13,972

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Net Assets

Internal Service Funds

January 31, 2006

Assets	Central Garage	Employee Benefits	Staywell Health Care	Total (Exhibit 5)
Current assets:				
Pooled cash and investments	$ 155,606	—	1,900,297	2,055,903
Accounts receivable	6,142	—	—	6,142
Accrued interest receivable	—	—	3,649	3,649
Inventory	38,870	—	—	38,870
Property, plant, and equipment, net:				
Land and infrastructure	—	—	—	—
Buildings, property, and equipment, net	—	—	—	—
Advance to other funds	—	—	—	—
Deferred debt issue costs	—	—	—	—
Prepaid employee benefits	—	—	—	—
Other deferred charges	—	—	—	—
Total current assets	200,618	—	1,903,946	2,104,564
Noncurrent assets:				
Property, plant, and equipment;				
Land	93,979	—	—	93,979
Depreciable property, plant, and equipment	170,157	—	—	170,157
Less accumulated depreciation	(166,190)	—	—	(166,190)
Total noncurrent assets	97,946	—	—	97,946
Total assets	$ 298,564	—	1,903,946	2,202,510
Liabilities				
Current liabilities:				
Accounts and contracts payable	$ 70,250	—	—	70,250
Accrued liabilities	9,741	—	—	9,741
Compensated absences - current	25,697	—	—	25,697
Employee benefits payable	—	—	—	—
Medical self-insurance claims	—	—	1,119,765	1,119,765
Total current liabilities	105,688	—	1,119,765	1,225,453
Noncurrent liabilities:				
Compensated absences - long-term	33,878	—	—	33,878
Total liabilities	139,566	—	1,119,765	1,259,331
Net Assets				
Invested in capital assets, net of related debt	97,946	—	—	97,946
Unrestricted	61,052	—	784,181	845,233
Total net assets (deficit)	158,998	—	784,181	943,179
Total liabilities and net assets	$ 298,564	—	1,903,946	2,202,510

CITY OF INDEPENDENCE, MISSOURI

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

Internal Service Funds

Year ended January 31, 2006

	Central Garage	Employee Benefits	Staywell Health Care	Total (Exhibit 6)
Operating revenues:				
Charges for services	$ 986,016	—	—	986,016
Miscellaneous	—	—	6,547,657	6,547,657
Total operating revenues	986,016	—	6,547,657	7,533,673
Operating expenses:				
Personal services	313,887	—	—	313,887
Other services	177,406	—	6,355,033	6,532,438
Supplies	497,090	—	48	497,138
Capital outlay	—	—	—	—
Depreciation and amortization	2,294	—	—	2,294
Total operating expenses	990,677	—	6,355,081	7,345,758
Operating Income	(4,662)	—	192,577	187,915
Nonoperating revenues:				
Interest revenue	3,204	—	35,365	38,569
Miscellaneous revenue	22,617	—	150,384	173,001
Total nonoperating revenue	25,821	—	185,749	211,571
Income before transfers	21,160	—	378,326	399,486
Transfers in (out)	—	—	—	—
Change in net assets	21,160	—	378,326	399,486
Total net assets (deficit):				
Beginning of the period	137,838	—	405,855	543,693
End of the period	$ 158,998	—	784,181	943,179

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Fiduciary Net Assets

Fiduciary Funds

January 31, 2006

	Private-Purpose Trust Fund		Agency Funds			
	Miscellaneous Expendable Trust	Total	Flexible Benefit Plan	Susie Block Trust	Seniors Travel Programs	Total
Assets						
Pooled cash and investments	$ 60,119	60,119	67,733	30,012	10,427	108,172
Accrued interest receivable	—	—	—	608		608
Total assets	$ 60,119	60,119	67,733	30,620	10,427	108,780
Due from flexible benefit plan			—	—		
Liabilities						
Accounts and contacts payable	$					
Internal balances (note 6)	374	374		—		—
Liabilities payable from restricted assets:						
Funds held in Escrow	—	—	—	30,620	10,427	41,047
Employee deferred credit	—	—	67,733	—	—	67,733
Total liabilities	374	374	67,733	30,620	10,427	108,780
Net Assets						
Held in trust	$ 59,745	59,745				

CITY OF INDEPENDENCE
SCHEDULE OF CASH & INVESTMENTS BY FUND
January 31, 2006

FUND	CASH & INVESTMENTS	RESTRICTED CASH	DUE TO POOLED CASH	TOTAL
GENERAL	5,572,110.63	405,602.48	-	5,977,713.11
SPECIAL REVENUE				
TOURISM	990,223.39	-	-	990,223.39
CDA	-	-	(229,439.73)	(229,439.73)
RENTAL REHAB	-	-	(223,190.91)	(223,190.91)
INDEP. SQUARE BENEFIT	22,951.32	-	-	22,951.32
STREET SALES TAX	6,377,422.87	2,278.01	-	6,379,700.88
PARKS SALES TAX	719,450.96	(78.73)	-	719,372.23
STORM WATER SALES TAX	8,793,461.81	-	-	8,793,461.81
POLICE SALES TAX	3,408,248.26	9,817.04	-	3,418,065.30
FIRE SALES TAX	4,791,511.39	12,141.85	-	4,803,653.24
LICENSE SURCHARGE	3,150,959.03	-	-	3,150,959.03
GRANT	-	-	(173,002.81)	(173,002.81)
TOTAL	28,254,229.03	24,158.17	(625,633.45)	27,652,753.75
DEBT SERVICE FUND	75,154.77	94,000.00	-	169,154.77
CAPITAL PROJECTS				
STREET	-	-	(2,371,287.19)	(2,371,287.19)
TIF	7,125,543.43	14,505,519.95	-	21,631,063.38
BUILDING	-	-	(2,090,231.77)	(2,090,231.77)
STORM DRAINAGE	-	-	(16,155.37)	(16,155.37)
PARKS	9,141.20	-	-	9,141.20
REVOLVING PUBLIC IMPROV.	17,894.87	-	-	17,894.87
TOTAL	7,152,579.50	14,505,519.95	(4,477,674.33)	17,180,425.12
ENTERPRISE				
POWER & LIGHT	40,200,024.62	2,453,818.83	-	42,653,843.45
WATER	12,255,990.79	770,070.79	-	13,026,061.58
SEWER	10,532,954.87	200,575.71	-	10,733,530.58
TOTAL	62,988,970.28	3,424,465.33	-	66,413,435.61
INTERNAL SERVICE				
EMPLOYEE BENEFITS	-	-	-	-
CENTRAL GARAGE	155,605.78	-	-	155,605.78
STAYWELL INSURANCE	1,900,297.06	-	-	1,900,297.06
TOTAL	2,055,902.84	-	-	2,055,902.84
TRUST & AGENCY				
WAGGONER	13,971.74	-	-	13,971.74
MISC TRUST	60,118.60	-	-	60,118.60
SUSIE PAXTON BLOCK TRUST	30,012.38	-	-	30,012.38
SENIORS TRAVEL PROGRAMS	10,426.72	-	-	10,426.72
FLEXIBLE BENEFITS	67,733.03	-	-	67,733.03
TOTAL	182,262.47	-	-	182,262.47
GRAND TOTAL	**106,281,209.52**	**18,453,745.93**	**(5,103,307.78)**	**119,631,647.67**

CITY OF INDEPENDENCE
SCHEDULE OF CASH & INVESTMENTS BY CATEGORY
January 31, 2006

INSTITUTION	DUE DATE	ORIGINAL COST	MARKET VALUE	YIELD
CASH IN BANK		32,680,005.00	32,680,005.00	
CERTIFICATE OF DEPOSIT				
TOTAL		0.00	0.00	
U. S. TREASURY NOTES & AGENCY NOTES				
Commerce Bank	02/15/27	18,887.50	26,652.34	7.074%
UBS	02/07/06	4,845,448.75	4,845,448.75	3.236%
Commerce	02/15/06	4,082,600.00	4,082,600.00	3.335%
Commerce	03/13/06	3,958,750.00	3,958,750.00	3.565%
Commerce	04/04/06	6,750,862.22	6,750,862.22	3.667%
UMB	04/13/06	4,602,516.99	4,602,516.99	3.588%
Wachovia	05/15/06	4,065,600.00	4,065,600.00	3.611%
Commerce	06/15/06	4,940,500.00	4,943,700.00	3.723%
Commerce	07/15/06	2,975,250.00	2,975,250.00	4.000%
Merrill Lynch	07/15/06	3,042,186.00	3,042,186.00	4.005%
UMB	08/25/06	3,946,224.00	3,946,224.00	4.133%
UMB	08/18/06	3,994,687.52	3,994,687.52	4.140%
Merrill Lynch	09/19/05	5,762,126.00	5,762,126.00	4.098%
Commerce	09/27/06	4,796,250.83	4,796,250.83	4.409%
Commerce	10/24/06	5,989,800.00	5,989,800.00	4.553%
Commerce	12/15/05	3,820,588.78	3,820,588.78	4.681%
Merrill Lynch	12/15/05	3,820,649.11	3,820,649.11	4.679%
Commerce	01/09/07	7,640,203.33	7,640,203.33	4.707%
Commerce	01/26/07	7,887,546.80	7,887,546.80	4.770%
TOTAL		86,940,677.83	86,951,642.67	
GRAND TOTAL		119,620,682.83	119,631,647.67	

CITY OF INDEPENDENCE, MISSOURI
CASH FLOW ANALYSIS OF STAYWELL HEALTH CARE PLAN
PLAN YEAR 2006

		Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	PLAN YEAR TOTALS	AVG COST PLAN YEAR
NUMBER OF PARTICIPANTS									
MEDICAL PLAN:									
REGULAR RATES	EMPLOYEE	273						273	137
	FAMILY	622						622	311
MEDICARE RATES	INDIVIDUAL	123						123	62
	FAMILY + 1	55						55	28
	FAMILY + 2	113						113	57
	OTHER	9						9	5
MEDICAL PLAN PARTICIPANTS		1,195	0	0	0	0	0	1,195	598
CASH BALANCE FORWARD		1,600,187.85	1,900,298.09	1,900,298.09	1,900,298.09	1,900,298.09	1,900,298.09	---	---
RECEIPTS:									
PREMIUMS:									
MEDICAL		1,006,163.33						1,006,163.33	1,006,163.33
INTEREST INCOME		3,538.62						3,538.62	3,538.62
REINSURANCE REIMB.:								0.00	0.00
AGGREGATE								0.00	0.00
SPECIFIC								0.00	0.00
SUBTOTAL		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CLAIM REFUNDS:		23,812.03						23,812.03	23,812.03
TOTAL RECEIPTS		1,033,513.98	0.00	0.00	0.00	0.00	0.00	1,033,513.98	1,033,513.98
DISBURSEMENTS:									
BENEFITS:									
MEDICAL		453,081.19						453,081.19	453,081.19
VISION		8,120.63						8,120.63	8,120.63
PREFERRED RX		214,624.89						214,624.89	214,624.89
SUBTOTAL		675,826.71	0.00	0.00	0.00	0.00	0.00	675,826.71	675,826.71

	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	PLAN YEAR TOTALS	AVG COST PLAN YEAR
DISBURSEMENTS CONT.:								
ADMINISTRATION:								
THIRD PARTY ADMINISTRATOR	11,352.30						11,352.30	11,352.30
UTILIZATION REVIEW	2,869.55							
SUBTOTAL	14,221.85	0.00	0.00	0.00	0.00	0.00	14,221.85	11,352.30
REINSURANCE PREMIUM:								
AGGREGATE	34,157.70							
SPECIFIC	2,966.82						2,966.82	2,966.82
SUBTOTAL	37,124.52	0.00	0.00	0.00	0.00	0.00	2,966.82	2,966.82
							0.00	0.00
PPO								
NETWORK	3,724.00	0.00	0.00	0.00	0.00	0.00	3,724.00	3,724.00
NON NETWORK DISCOUNT		0.00	0.00	0.00	0.00	0.00	0.00	0.00
SUBTOTAL	3,724.00	0.00	0.00	0.00	0.00	0.00	3,724.00	3,724.00
OTHER:								
BANK SERV CHARGES	726.28						726.28	726.28
RECORDS							0.00	0.00
MISCELLANEOUS	47.88						47.88	47.88
CONSULTING	1,732.50						1,732.50	1,732.50
SUBTOTAL	2,506.66	0.00	0.00	0.00	0.00	0.00	2,506.66	2,506.66
TOTAL DISB.	733,403.74	0.00	0.00	0.00	0.00	0.00	699,246.04	696,376.49
ENDING CASH BALANCE	1,900,298.09	1,900,298.09	1,900,298.09	1,900,298.09	1,900,298.09	1,900,298.09	---	---
ACCRUED REINSURANCE PROCEEDS	0.00	0.00	0.00	0.00	0.00	0.00		
ACCRUED ACCOUNTS PAYABLE MEDICAL	1,119,765.00	1,119,765.00	1,119,765.00	1,119,765.00	1,119,765.00	1,119,765.00		
ENDING RESERVE BALANCE	780,533.09	780,533.09	780,533.09	780,533.09	780,533.09	780,533.09		

CITY OF INDEPENDENCE, MISSOURI
CASH FLOW ANALYSIS OF STAYWELL HEALTH CARE PLAN
JANUARY 2006
MEDICAL ONLY

CURRENT MONTH					PLAN YEAR TO DATE			
THIS YEAR	LAST YEAR	CHANGE	% CHANGE	DESCRIPTION	THIS YEAR	LAST YEAR	CHANGE	% CHANGE
				NUMBER OF PARTICIPANTS				
				MEDICAL PLAN:				
				REGULAR RATES				
273	266	7	2.63	EMPLOYEE	273	266	7	2.63
622	641	(19)	(2.96)	FAMILY	622	641	(19)	(2.96)
0	0			MEDICARE RATES				
123	118	5	4.24	INDIVIDUAL	123	118	5	4.24
55	52	3	5.77	FAMILY +1	55	52	3	5.77
113	114	(1)	(0.88)	FAMILY +2	113	114	(1)	(0.88)
9	7	2	28.57	OTHER	9	7	2	28.57
1,195	1,198	(3)	(0.25)	TOTAL MEDICAL PLAN PARTICIPANTS	1,195	1,198	(3)	(0.25)
1,600,187.85	1,000,387.51	599,800.34	59.96	CASH BALANCE FORWARD	1,600,187.85	1,000,387.51	599,800.34	59.96
				RECEIPTS:				
				PREMIUMS:				
1,006,163.33	926,588.47	79,574.86	8.59	MEDICAL	1,006,163	926,588.47	79,574.86	8.59
3,538.62	575.06	2,963.56	515.35	INTEREST INCOME	3,538.62	575.06	2,963.56	515.35
0.00	0.00			REINSURANCE REIMBURSEMENT	0.00	0.00		
0.00	0.00	0.00	0.00	AGGREGATE	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	SPECIFIC	0.00	0.00	0.00	0.00
1,009,701.95	927,163.53	82,538.42	8.90	SUBTOTAL	1,009,701.95	927,163.53	82,538.42	8.90
23,812.03	3,965.87	19,846.16	500.42	CLAIM REFUNDS	23,812.03	3,965.87	19,846.16	500.42
1,033,513.98	931,129.40	102,384.58	11.00	TOTAL RECEIPTS	1,033,513.98	931,129.40	102,384.58	11.00
				DISBURSEMENTS:				
				BENEFITS				
453,081.19	553,352.63	(100,271.44)	(18.12)	MEDICAL	453,081.19	553,352.63	(100,271.44)	(18.12)
0.00	0.00	0.00	0.00	CHECKS WRITTEN OFF	0.00	0.00	0.00	0.00
8,120.63	6,968.21	1,152.42	16.54	VISION	8,120.63	6,968.21	1,152.42	16.54
214,624.89	170,241.91	44,382.98	26.07	PREFERRED RX	214,624.89	170,241.91	44,382.98	26.07
0.00	0.00	0.00	0.00	REVERSE JANUARY ADJUSTMEI	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	VOIDS AND STOP PAYMENTS	0.00	0.00	0.00	0.00
675,826.71	730,562.75	(54,736.04)	(7.49)	SUBTOTAL	675,826.71	730,562.75	(54,736.04)	(7.49)

CITY OF INDEPENDENCE, MISSOURI
CASH FLOW ANALYSIS OF STAYWELL HEALTH CARE PLAN
JANUARY 2006
MEDICAL ONLY

CURRENT MONTH					PLAN YEAR TO DATE			
THIS YEAR	LAST YEAR	CHANGE	% CHANGE	DESCRIPTION	THIS YEAR	LAST YEAR	CHANGE	% CHANGE
				NUMBER OF PARTICIPANTS				
				ADMINISTRATION				
11,352.30	12,920.56	(1,568.26)	(12.14)	THIRD PARTY ADMINISTRATOF	11,352.30	12,920.56	(1,568.26)	(12.14)
2,869.55	0.00	2,869.55	100.00	UTILIZATION REVIEW	2,869.55	0.00	2,869.55	100.00
14,221.85	12,920.56	1,301.29	10.07	SUBTOTAL	14,221.85	12,920.56	1,301.29	10.07
				REINSURANCE PREMIUM				
34,157.70	0.00	34,157.70	100.00	AGGREGATE	34,157.70	0.00	34,157.70	100.00
2,966.82	33,826.88	(30,860.06)	(91.23)	SPECIFIC	2,966.82	33,826.88	(30,860.06)	(91.23)
37,124.52	33,826.88	3,297.64	9.75	SUBTOTAL	37,124.52	33,826.88	3,297.64	9.75
				PPO				
3,724.00	3,896.00	(172.00)	(4.41)	NETWORK	3,724.00	3,896.00	(172.00)	(4.41)
0.00	0.00	0.00	0.00	NON NETWORK DISCOUT	0.00	0.00	0.00	0.00
3,724.00	3,896.00	(172.00)	(4.41)	SUBTOTAL	3,724.00	3,896.00	(172.00)	(4.41)
				OTHER:				
726.28	454.07	272.21	59.95	BANK SERV CHARGES	726.28	454.07	272.21	59.95
0.00	0.00	0.00	0.00	PRIOR PERIOD SERVICE CHARGES	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	RECORDS	0.00	0.00	0.00	0.00
1,732.50	486.56	1,245.94	256.07	CONSULTING	1,732.50	486.56	1,245.94	256.07
47.88	65.00	(17.12)	(26.34)	MISCELLANEOUS	47.88	65.00	(17.12)	(26.34)
0.00	0.00	0.00	0.00	BANK ERROR	0.00	0.00	0.00	0.00
2,506.66	1,005.63	1,501.03	149.26	SUBTOTAL	2,506.66	1,005.63	1,501.03	149.26
733,403.74	786,107.82	(52,704.08)	(6.70)	TOTAL DISB.	733,403.74	786,107.82	(48,808.08)	(6.21)
1,900,298.09	1,145,409.09	754,889.00	65.91	ENDING CASH BALANCE	1,900,298.09	1,145,409.09	750,993.00	65.57
0.00	38,391.37	(38,391.37)	(100.00)	ACCRUED REINSURANCE PROCEEDS	0.00	38,391.37	(38,391.37)	(100.00)
1,119,765.00	871,093.00	248,672.00	28.55	ACCRUED ACCOUNTS PAYABLE MED	1,119,765.00	871,093.00	248,672.00	28.55
780,533.09	312,707.46	467,825.63	149.60	ENDING RESERVE BALANCE	780,533.09	312,707.46	463,929.63	148.36

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APPENDIX C

SUMMARY OF THE BASS PRO LEASE

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APPENDIX C

SUMMARY OF THE BASS PRO LEASE

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

General Definitions.

In addition to the terms defined in the Bass Pro Lease, the following terms, whenever used in the Bass Pro Lease with the first letter of each word capitalized, shall have only the meanings set forth below, unless such meanings are expressly modified, limited or expanded elsewhere in the Bass Pro Lease:

(a) "**Common Areas**" means all areas, facilities and improvements, from time to time, made available in the Project for the non-exclusive common use of occupants of the Project, including Bass Pro, its agents, employees and customers. The Common Areas shall include, but shall not be limited to, the interior of the enclosed mall (if applicable), parking areas and facilities, sidewalks, stairways, escalators, elevators, service corridors, fire corridors, seating areas, truck ways, ramps, loading docks, delivery areas, landscaped areas, package pickup stations, public restrooms and comfort stations, access and interior roads, retaining walls, drainage systems, bus stops and lighting facilities. Notwithstanding the foregoing or anything to the contrary contained in the Bass Pro Lease, the Common Areas shall not include any portion of the approximate twenty (20) acre parcels comprising the Leased Premises, the "City Park Area" or any such portion of the Project intended for the exclusive use of any occupant thereof.

(b) "**Permitted Successor**" means, in connection with an assignment of Bass Pro's interest in the Bass Pro Lease or a sublet of all of the Leased Premises, which will not require the prior consent of City, an entity which complies with one of the following:

(i) an assignment or sublet as a result of estate planning transfers by the person or entity which, as of the Effective Date, owns the controlling interest of Bass Pro (the "Controlling Party") to any person or entity (collectively "Estate Planning Transferees"), so long as (A) the Estate Planning Transferees operate the Leased Premises under the Trade Name and for the Bass Pro Permitted Use; and (B) the assignee or subtenant has a net worth of at least $50,000,000;

(ii) an assignment or sublet to an entity resulting from an intra-organization reorganization or restructure, so long as (A) the Controlling Party or the Estate Planning Transferees remain in control of the successor entity; (B) the successor entity operates the Leased Premises under the Trade Name and for the Bass Pro Permitted Use; and (C) the assignee or subtenant has a net worth of at least $50,000,000; or

(iii) an assignment or sublet to a "Qualified Third Party" which will be operating at least eighty percent (80%) of the retail stores of Bass Pro operated under the Trade Name. A "Qualified Third Party" means an entity which (A) continues to operate the Leased Premises under the Trade Name and for the Bass Pro Permitted Use, and (B) has a net worth of at least $50,000,000.

Description of Leased Premises

The Leased Premises is those certain parcels of real property containing approximately twenty (20) acres identified as "Bass Pro Shops Parcel To Include Store, Display Areas and Boat Storage" and "Bass Pro

Shops Display Parcel" on the site plan attached to the Bass Pro Lease upon which a "Bass Pro Shops Outdoor World" retail store building containing no less than 160,000 (inclusive of the square footage of the restaurant located within the Store Building and inclusive of the square footage of the boat canopied area) square feet shall be constructed (the "Store Building"). The Leased Premises also contains "Bass Pro's Parking Field" (as defined in the Bass Pro Lease) which is also identified on the Preliminary Site Plan. Notwithstanding anything in the Bass Pro Lease, except with respect to the rights of customers of other tenants and occupants of the "Project" (as defined in the Bass Pro Lease) to use the parking areas located within the Leased Premises for temporary parking and subject to the terms and conditions of the Bass Pro Lease, Bass Pro shall have the exclusive right to utilize the entire Leased Premises for any "Bass Pro Permitted Use" (as defined in the Bass Pro Lease), including, without limitation, the sale and display of boats, recreational vehicles, off-road vehicles and/or all-terrain vehicles and the conducting of the special events of Bass Pro. In addition, subject to the securing of all applicable governmental approvals (which approvals City agrees to assist Bass Pro in obtaining), Bass Pro, in its capacity as construction agent for and on behalf of City, shall, at its option, have the right, exercisable at any time during the "Construction Period" (as defined in the Bass Pro Lease) or during the "Term" (as defined in the Bass Pro Lease), to construct or cause to be constructed such other structures or improvements at the Leased Premises and/or add such additional space to the Store Building as Bass Pro may desire and in such locations within the boundaries of the Leased Premises as Bass Pro may desire, including, without limitation, the "outpost" described in the Bass Pro Lease and a restaurant which may be free standing or located within the Store Building. All costs relating to the foregoing which are incurred during the Construction Period shall be paid from the "Allowance" (as defined in the Bass Pro Lease).

Term

The Initial Term of the Bass Pro Lease (the "Initial Term") shall be for a period of twenty (20) years commencing either (i) at the expiration of the Construction Period, subject, however, to the provisions of the Bass Pro Lease, or (ii) the date on which Bass Pro shall open the Store Building for business to the public (and City shall be obligated to cause all access ways, parking areas, and other common areas and facilities necessary to the operation of Bass Pro's business at the Leased Premises to be available by such date or such earlier date required under the Bass Pro Lease), whichever of said dates occurs first (the "Commencement Date"), and expiring at 11:59 p.m. local time on the day before the twentieth (20th) yearly anniversary of the Commencement Date, unless extended or sooner terminated in accordance with the provisions of the Bass Pro Lease (the "Expiration Date"). All provisions of the Bass Pro Lease, other than the obligation of Bass Pro to pay any "Rent" (as defined in the Bass Pro Lease), shall be in force and effect from the Delivery Date through the Commencement Date. Notwithstanding the foregoing or anything to the contrary contained in the Bass Pro Lease, City and Bass Pro acknowledge and agree that irrespective of the commencement, expiration or duration of the Construction Period, (i) in no event shall Bass Pro be obligated to open its store at the Leased Premises for business on any date which is between November 1 of any given year and March 1 of the year subsequent thereto (the "Black-Out Period") and (ii) if the expiration of the Construction Period occurs on a date within the Black-Out Period, then, unless Bass Pro opens its store at the Leased Premises for business within the Black-Out Period, the Commencement Date shall be the first day following the Black-Out Period.

Provided Bass Pro is not then in default of any material term of the Bass Pro Lease beyond any applicable cure or grace period and provided, further, that Bass Pro shall not have exercised its option to purchase the Leased Premises in accordance with the Bass Pro Lease, Bass Pro shall have the right and option to exercise the Renewal Options by delivering written notice to that effect to City at least one hundred eighty (180) days prior to the expiration of (i) the twenty (20) year Initial Term with respect to the first Renewal Option; and (ii) the immediately-preceding Renewal Option with respect to any subsequent Renewal Option. Other than the amount of Rent payable by Bass Pro, all terms and conditions applicable to the Initial Term shall apply during the Renewal Options. In the event that Bass Pro does not exercise any applicable Renewal Option within the required time period therefor, City shall deliver to Bass Pro written notice (the "Reminder Notice") that Bass Pro has failed to timely exercise the applicable Renewal Option and, if Bass Pro does not exercise the applicable Renewal Option within ten (10) days after its receipt of the Reminder Notice, then the

subject Renewal Option and all subsequent Renewal Options shall become null and void and be of no further force or effect.

Except as otherwise specifically provided in the Bass Pro Lease, the "Term" means the Initial Term and the Renewal Options.

Renewal Options are options for nine (9) consecutive renewal periods of one (1) full year each and thereafter options for three (3) consecutive renewal periods of five (5) full years each.

Construction Period

The Construction Period is a four hundred fifty five (455) day construction period following delivery of the "Pad" (as defined in the Bass Pro Lease) to Bass Pro in the condition contemplated by the Bass Pro Lease. Delivery of the Pad is expected to occur on March 31, 2006 (the "Expected Delivery Date"). City and Bass Pro acknowledge and agree however that Bass Pro shall have no obligation to accept delivery of the Pad prior to the Expected Delivery Date and the Construction Period shall not commence prior to March 1, 2005 unless Bass Pro accepts delivery of the Pad prior thereto. In the event the Pad is not delivered to Bass Pro by the Expected Delivery Date, then the Construction Period shall be extended by five (5) days for each day after the Expected Delivery Date that such possession is not delivered to Bass Pro. The date upon which City actually delivers the Pad to Bass Pro in the condition required in the Bass Pro Lease is defined in the Bass Pro Lease as the "Delivery Date". Further, in the event the Pad is not delivered to Bass Pro by the date which is three hundred sixty-five (365) days following the Expected Delivery Date for any reason whatsoever, other than if the Bass Pro Lease is terminated prior thereto in accordance with the provisions of the Bass Pro Lease, then the Bass Pro Lease shall automatically terminate on the three hundred sixty-sixth (366th) day following the Expected Delivery Date and City shall pay to Bass Pro, within thirty (30) days after such termination, the sum of One Million Dollars ($1,000,000) to compensate Bass Pro for Bass Pro's loss of the opportunity to realize the benefits Bass Pro expected to realize pursuant to the Bass Pro Lease.

Opening

Subject to the provisions of the Bass Pro Lease, Bass Pro covenants and agrees to complete its construction within the Leased Premises in accordance with the provisions of the Bass Pro Lease and to open its store for business to the public not later than the expiration of the Construction Period, subject to an extension thereof due to "Delays". Notwithstanding the foregoing or anything to the contrary contained in the Bass Pro Lease, Bass Pro shall not be in default of this section unless and until Bass Pro shall have failed to open its store for business to the public by the date which is one hundred eighty (180) days following the expiration of the Construction Period (as the same may be extended in the Bass Pro Lease).

Rent During Initial Term

Except as otherwise provided in the Bass Pro Lease, during the Initial Term and for each Lease Year thereof, Bass Pro shall pay annual percentage rent ("Percentage Rent") equal to two percent (2%) multiplied by all Gross Sales (except for Gross Sales respecting sales of boats, recreational vehicles, off-road vehicles and all-terrain vehicles which shall be one percent (1%) with a maximum of Two Hundred Fifty Dollars ($250) per such boat or vehicle sold) resulting from business conducted in, on or from the Leased Premises. Notwithstanding the foregoing, during each Lease Year of the Initial Term, Bass Pro shall pay a minimum of One Million Dollars ($1,000,000) as Percentage Rent (the "Minimum Percentage Rent"). Percentage Rent and Minimum Percentage Rent for any "Partial Lease Year" (as defined in the Bass Pro Lease) shall be prorated on a per diem basis. Any payments of Minimum Percentage Rent from Bass Pro to City shall be made within sixty (60) days after the end of each Lease Year or Partial Lease Year of the Initial Term. Except when separately appearing, for purposes of the Bass Pro Lease, the terms Percentage Rent and Minimum Percentage Rent are collectively referred to as "Percentage Rent".

"Gross Sales" is defined in the Bass Pro Lease to mean the total amount of the total price charged for all goods, merchandise, beverages and food sold and all services or other operations or items sold or rendered at, in, on, or from the Leased Premises by or on account of Bass Pro or any subtenant, assignee or concessionaire of Bass Pro (except that any corporate cross-promotion activities from Big Cedar Lodge and timeshare, Chevy truck promotions, and similar corporate sponsorships shall be specifically excluded from Gross Sales), for cash or on a charge, credit, time basis or otherwise, including all orders for merchandise taken from or filled at or from the Leased Premises. A "sale" shall be deemed to have been consummated for purposes of the Bass Pro Lease, and the entire amount of the sale price shall be included in Gross Sales, at such time as the transaction is initially reflected in the books or records of Bass Pro, or any subtenant, assignee or concessionaire of Bass Pro, or any other person or entity operating in the Leased Premises. Bass Pro and the other persons and entities occupying the Leased Premises shall record each sale on the books of Bass Pro in the ordinary course of Bass Pro's business. Notwithstanding anything in the Bass Pro Lease to the contrary, Gross Sales shall exclude proceeds from any sales tax, gross receipts tax or similar tax, by whatever name called which are separately stated and in addition to the purchase price, refunds and adjustments given to customers for merchandise purchased at the Leased Premises and returned or exchanged, gift certificate returns, sales of Bass Pro's furniture, fixtures or equipment not in the ordinary course of Bass Pro's business, sales to employees of Bass Pro working in the Leased Premises not to exceed five percent (5%) of Gross Sales in any Lease Year, sales of fishing and hunting licenses, duck stamps, deer and turkey permits, and the like (not to exceed two percent (2%) of Gross Sales in any Lease Year), returned check charges and credit card chargeback income, which shall not exceed one percent (1%) of Gross Sales in any Lease Year and any subrental or concession fees paid to Bass Pro by any subtenant or concessionaire.

As used in the Bass Pro Lease, the term "Lease Year" shall have the following meaning: the first Lease Year shall be a period beginning with the Commencement Date and ending on the 31st of December next following the Commencement Date, and after the first Lease Year, the term Lease Year shall mean a period of twelve (12) consecutive calendar months commencing on January 1 of each calendar year, except that the last Lease Year shall terminate on the Expiration Date. Any Lease Year which is less than a full twelve (12) consecutive calendar months is sometimes referred to in the Bass Pro Lease as a "Partial Lease Year".

Within thirty (30) days following the end of each calendar month of the Initial Term, Bass Pro shall submit to City an unaudited statement of Gross Sales for such calendar month. Together with the delivery of each such statement, Bass Pro shall pay to City any Percentage Rent due for such period (excluding, however, any Minimum Percentage Rent). Within forty-five (45) days after the close of each Lease Year or Partial Lease Year of the Initial Term, Bass Pro shall furnish to City a statement certified by Bass Pro setting forth the amount of Gross Sales during such Lease Year or Partial Lease Year and showing the amount of Percentage Rent required to be paid by Bass Pro for such Lease Year or Partial Lease Year. The full amount of the Percentage Rent or Minimum Percentage Rent, as the case may be, which is due shall be paid to City no later than sixty (60) days after the end of each Lease Year or Partial Lease Year of the Initial Term.

Bass Pro shall keep at the Leased Premises or at Bass Pro's executive offices a full and accurate set of books and records documenting the amount of Gross Sales in each Lease Year or Partial Lease Year. The books and records to be kept by Bass Pro shall include, without limitation, (i) cash register tapes, (ii) records of any exclusions or deductions from Gross Sales; (iii) sales tax records; and (iv) such other records, if any, which are kept by Bass Pro in the ordinary course of its business. Such books and records shall be kept in accordance with generally accepted accounting principles and practices and shall be retained by Bass Pro for a period of not less than three (3) years following the end of the Lease Year or Partial Lease Year to which they have reference. If any audit is required or a controversy arises regarding Percentage Rent, Bass Pro shall retain its books and records until such audit is terminated or controversy is resolved. Upon not less than ten (10) business days' prior notice, City and/or City's auditor shall have the right to (at Bass Pro's executive offices) inspect and/or to audit the records of Bass Pro relating to Gross Sales (specifically excluding, however, Bass Pro's income tax returns). If it is determined by City and Bass Pro that the Gross Sales exceed those reported, Bass Pro shall immediately pay any deficiency in Percentage Rent owing to City with "Interest" (as defined in

the Bass Pro Lease) thereon. If it is determined by City and Bass Pro that Gross Sales are understated by Bass Pro from those reported by two percent (2%) or more, Bass Pro shall pay to City, upon demand, in addition to the amount by which Percentage Rent was deficient with Interest thereon, the cost of the audit or examination including, without limitation, all reasonable travel expenses incurred by City in conducting such audit.

Rent During Renewal Options

During any of the nine (9) one (1) Renewal Options, Bass Pro shall pay rent equal to Ten Dollars ($10) per year. Notwithstanding the foregoing, if the Leased Premises TIF (the Leased Premises TIF as it relates to the Leased Premises only, said amount being equal to Thirty-five Million Dollars ($35,000,000) in TIF bond financing) has not been fully paid at the expiration of the Initial Term, then during each Lease Year thereafter (if any) until the Leased Premises TIF has been paid in full or until the expiration of the third one (1) year Renewal Option (if exercised by Bass Pro), whichever occurs first, Bass Pro shall be obligated to pay the Minimum Percentage Rent. During any of the three (3) five (5) year Renewal Options, Bass Pro shall pay rent equal to one percent (1%) of Gross Sales made during each Lease Year thereof in excess of Thirty Million Dollars ($30,000,000), except for Gross Sales respecting sales of boats, recreational vehicles, off-road vehicles and all-terrain vehicles, which shall be one-half of one percent (0.5%) of such Gross Sales. The amount of rent payable by Bass Pro during the Renewal Options is hereby defined as the "Renewal Option Rent". The Renewal Option Rent for any Partial Lease Year of any Renewal Option and, if applicable, the Renewal Option Rent for the year in which the Leased Premises TIF is fully paid, shall be prorated on a per diem basis.

Payments By Bass Pro

Throughout the Term, Bass Pro shall pay to City, the "Rent", which, during the Initial Term, is hereby defined as the sum of the Percentage Rent and all additional rent, and during any Renewal Option, is hereby defined as the Renewal Option Rent and all additional rent when and as the same shall be due and payable in the Bass Pro Lease, subject, however, to City not being in default of the Bass Pro Lease beyond any applicable cure or grace period. Unless otherwise stated, all sums of money or charges of any kind or nature, in addition to Percentage Rent or Renewal Option Rent (as appropriate), payable by Bass Pro to City pursuant to the Bass Pro Lease are defined as "additional rent" and, subject to the terms of the Bass Pro Lease, are due thirty (30) days after the rendering of an invoice therefor. All payments of Rent shall be payable in United States funds, at the address indicated in the Bass Pro Lease, unless otherwise specified by written notice from City to Bass Pro. Without limitation of any other obligations of Bass Pro which shall survive the expiration of the Term, the obligations of Bass Pro to pay Rent which have accrued as of the date of expiration or sooner termination of the Term shall survive such expiration or earlier termination. Payment of any such Rent shall not prohibit Bass Pro from thereafter asserting the right to set-off or counterclaim.

Preparation of Leased Premises - City's Work

City shall, at its sole cost and expense and separate and apart from the Allowance, (a) deliver to Bass Pro the portion of the Leased Premises upon which the Store Building will be constructed in the condition of a certified construction-ready graded pad (which shall be capable of supporting a shallow foundation, slab on grade, footing and floor slab loads necessary for the Store Building as determined by Bass Pro's architecture and construction departments) with utilities stubbed thereto as provided in the Bass Pro Lease (the "Pad"), and (b) deliver to Bass Pro the balance of the Leased Premises, each in accordance with the provisions of the Bass Pro Lease, including, without limitation, certain provisions of the Bass Pro Lease ("City's Work"). In addition, as part of City's Work, City shall, at its sole cost and expense, grade, pave, improve, stripe and install lighting fixtures for the illumination of all of the parking areas within the Leased Premises as depicted on the Final Site Plan ("Bass Pro's Parking Field"). City shall cause Bass Pro's Parking Field to be completed and ready for use no less than sixty (60) days prior to the date Bass Pro first opens the Store Building for business. Bass Pro shall have the right to approve how Bass Pro's Parking Field is connected with the other parking areas of the Project. City shall, at its sole cost and expense and separate and apart from the Allowance, obtain all permits and approvals necessary with respect to City's Work and shall comply with all legal requirements

relating thereto. City agrees that City's Work shall be performed (i) in a first-class workmanlike manner using first-class materials; (ii) by duly qualified and licensed persons; (iii) in accordance with all applicable laws, regulations, orders, ordinances, codes and insurance company requirements; and (iv) in accordance with the provisions of the Bass Pro Lease, including, without limitation, the provisions of Exhibit C. In addition, City covenants to and agrees with Bass Pro that Bass Pro shall have the right to approve City's grading and clearing plan of the Project and that City shall not commence any grading or clearing of the Project unless and until Bass Pro has approved such plan (which approval by Bass Pro shall not be unreasonably withheld). The parties agree that the purpose of the foregoing provision is to retain as much vegetation and timber as possible at the Project. Notwithstanding any provision to the contrary contained in the Bass Pro Lease, Bass Pro shall have no obligation to accept delivery of the Pad and the Construction Period shall not commence unless and until City delivers to Bass Pro the Pad in accordance with the requirements of the Bass Pro Lease.

Preparation of Leased Premises - Bass Pro's Work

Upon delivery to Bass Pro of the Pad in the condition required under the Bass Pro Lease, Bass Pro shall, in its capacity as construction agent for and on behalf of City, construct or cause to be constructed the Store Building and any and all other improvements desired by Bass Pro upon the Leased Premises ("Bass Pro's Work

City shall pay to Bass Pro an allowance not to exceed Twenty-five Million Dollars ($25,000,000) (the "Allowance") to be applied toward the cost of Bass Pro's Work, including, without limitation, the Store Building and all interior improvements thereto and all furniture, fixtures and equipment in and to the Store Building and any other improvements desired by Bass Pro at the Leased Premises. To the extent that the cost of Bass Pro's Work (as it relates to any item thereof which would be deemed a "hard cost" of construction) shall exceed the Allowance, City shall pay and be responsible for such excess (with the Allowance being paid first, followed by any such excess costs). In the event City is required to pay any such "hard costs" in excess of the Allowance, then Bass Pro shall pay any such amount so expended by City as additional rent on the Commencement Date. To the extent the costs of Bass Pro's Work (as it relates to any item thereof which would not be deemed a "hard cost" of construction) shall exceed the Allowance, Bass Pro shall pay and be responsible for such excess (with the Allowance being paid first). The Allowance shall be used to pay all costs and expenses related to Bass Pro's Work and construction expenses relating to the Leased Premises and the preparation of the Leased Premises for Bass Pro's business beyond the scope of City's Work, including, without limitation, interior design and work, interior fixtures, furniture, equipment, items furnished by Bass Pro (i.e., chandeliers and display and trophy mounts), Bass Pro's "in-house" architectural and project management services, aquariums, attractions, water features, signage, special craft and woodwork, imagery, landscaping, reasonable travel expenses actually incurred and professional fees for architects and engineers.

City shall make disbursements out of the Allowance to Bass Pro for all of Bass Pro's Work that has been completed from time to time (subject to a retainage in an amount agreeable to City and Bass Pro, which shall be part of Bass Pro's contract with its contractor), within twenty (20) days following Bass Pro's submission of a requisition therefor accompanied by such supporting materials as are customary and reasonable (including, without limitation, (i) a certification by Bass Pro's architect that the work described in the pending requisition has actually been completed and is in accordance with the approved construction documents, and (ii) lien waivers with respect to all work performed through the date of the immediately-preceding requisition), which requisitions shall be submitted by Bass Pro no more frequently than once per month. In the event of any dispute regarding a requisition submitted by Bass Pro, such disputed amount shall nevertheless be paid to Bass Pro within said twenty (20) day period and shall not be withheld from the City's disbursement of the Allowance. The parties shall meet and, in good faith, attempt to resolve any disputed amount and any of such disputed amount which is subsequently agreed by the parties to be ineligible for payment from the Allowance shall be returned by Bass Pro to City and redeposited into the Allowance account. City and Bass Pro further acknowledge and agree that if any such disbursement of the Allowance is not made by City within said twenty (20) day period, then, in that event and not in limitation of any other right or remedy available to Bass Pro at law or in equity, (w) Bass Pro shall be entitled to collect interest on any

outstanding amount due until paid at a rate of Twelve percent (12%) per annum, and (x) an amount equal to Two Thousand Dollars ($2,000) for each day after the expiration of said twenty (20) day period that such disbursement is not made shall be automatically and without further action be added to the Allowance. Within twenty (20) days of the submission by Bass Pro to City of Bass Pro's final payment application respecting Bass Pro's Work (accompanied by the documentation of (i) above and final lien waivers subject only to final payment), City shall pay to Bass Pro all amounts of the Allowance outstanding. It is further acknowledged and agreed by City and Bass Pro that if such final payment of the Allowance is not paid to Bass Pro within said twenty (20) day period, then, in that event, and not in limitation of any other right or remedy available to Bass Pro at law or in equity, (y) Bass Pro shall be entitled to collect interest on the principal balance due until paid at a rate of Twelve percent (12%) per annum, and (z) Bass Pro shall have the right to withhold from any rent payment due City an amount equal to any unpaid portion of the Allowance as well as any interest payable by City pursuant to this provision.

The interest of City in the Leased Premises and the Project shall not be subject to liens for improvements made by or on behalf of Bass Pro.

The interest of Bass Pro in the Leased Premises shall not be subject to liens for improvements made by City.

Bass Pro shall obtain or require that each general contractor engaged by the Bass Pro for the construction of Bass Pro's Work provide payment and performance bonds and labor and material payment bonds, or equivalent insurance coverage reasonably acceptable to the City and the City's Construction Consultant, if any. Although the above is an obligation of Bass Pro or its general contractor, all costs and expenses related to such payment and performance bonds and labor and material payment bonds or equivalent insurance coverage shall be paid by or caused to be paid by City.

Preparation of Leased Premises - Removal by Bass Pro

All present and future repairs, alterations, additions and improvements made in, on or to the Leased Premises by either party shall be deemed to be attached to the leasehold and to have become the property of City upon such attachment, and, upon the expiration or sooner termination of the Bass Pro Lease, Bass Pro shall not remove any of such alterations, additions and improvements. Notwithstanding the foregoing, any alterations, additions and improvements which are installed during the Term by Bass Pro, at Bass Pro's sole cost and expense, shall remain the property of Bass Pro, and may be removed by Bass Pro, and Bass Pro shall promptly remove the same and repair any damage to the Leased Premises caused by such removal. In addition, City and Bass Pro acknowledge and agree that, provided Bass Pro is not in default of the Bass Pro Lease beyond any applicable cure or grace period, upon the expiration or earlier termination of the Bass Pro Lease, Bass Pro shall have the right to remove all specialty items of Bass Pro, including, without limitation, all trade fixtures, taxidermy, mounts, aquariums, displays and other such items, whether or not the cost thereof was paid for out of the Allowance; provided that Bass Pro shall, at its expense, repair any damage to the Leased Premises caused by such removal. The provisions of this section are subject to Bass Pro's Purchase Option.

Use and Trade Name

Bass Pro shall use the Leased Premises for the use set forth below, and for no other uses (the "Bass Pro Permitted Use"):

> retail sales of sporting goods, sporting equipment and sporting services of all types and kinds and sales of all other goods and services and other items of the type commonly sold by Bass Pro at its retail store in Springfield, Missouri, including, without limitation, the sale, display, service and storage of boats, recreational vehicles, off-road vehicles and all-terrain vehicles, the sale of educational videos,

magazines, gifts, household furnishings, cameras, film, toys, jewelry, travel, taxidermy, marine products, including, without limitation, boats, fishing products and services, camping products and services, hunting products and services, golf equipment, NASCAR related apparel, gift items and activities, accessories, apparel, footwear, bikes, scuba gear, firearms, ammunition and components and related uses such as the conducting of the special events of Bass Pro at the Leased Premises, the conducting of outdoor education seminars, the operation of an "outpost" or convenience store for the sale of, without limitation, food (prepackaged and freshly prepared), beverages (alcoholic and non-alcoholic), fuel and live bait, an indoor gun and archery range, a golf range, a sporting goods demonstration area and, at Bass Pro's option, a snack-bar and/or a restaurant, with or without a bar serving liquor, wine and beer (which restaurant may be free standing or incorporated within Bass Pro's retail store). City acknowledges that Bass Pro shall have the right to change the secondary merchandise mix to reflect the proper regional outdoor activities, which may be unique from market to market, provided that the primary merchandise lines shall continue to be fishing, hunting, camping and boats.

City agrees with and represents and warrants to Bass Pro that, so long as Bass Pro is not in default of the Bass Pro Lease beyond any applicable grace or cure period, no space in the Project will at any time during the Term be used for the sale of hunting, fishing or camping products or services or the sale, service or display of boats, boat accessories or recreational vehicles, off-road vehicles or all-terrain vehicles (the "Bass Pro Exclusive Use"). In addition to and without limiting the foregoing, so long as Bass Pro is not in default of the Bass Pro Lease beyond any applicable grace or cure period, no space in the Project will at any time during the Term be used for the operation of a full-line sporting goods store.

Except as otherwise provided in the Bass Pro Lease, Bass Pro shall continuously use and occupy the Leased Premises during the Term (including any Renewal Option) for the Bass Pro Permitted Use, and for no other purpose or purposes. Bass Pro covenants and agrees that its retail store on the Leased Premises shall be generally similar in design to and shall carry merchandise similar in quality and kind to the merchandise in the other retail stores of Bass Pro operated under the Trade Name from time to time throughout the United States. The Trade Name shall be "Bass Pro Shops Outdoor World", or such other trade name as may be adopted by Bass Pro from time to time.

Operation of Business

Subject to the terms and conditions of the Bass Pro Lease, Bass Pro shall open for business at the Leased Premises on the Commencement Date and remain open and operate therefrom under the Trade Name and for the Bass Pro Permitted Use and continuously operate its business during the entire twenty (20) year Initial Term (the "Operating Covenant Period"), whereafter Bass Pro shall have no obligation to remain open for business to the public. In the event that Bass Pro elects to close its store for business to the public at any time after the Operating Covenant Period but prior to the expiration of the then-current Term, then (unless Bass Pro shall have prior thereto exercised and closed its option to purchase the Leased Premises in accordance with the Bass Pro Lease) City shall have the right to terminate the Bass Pro Lease and recapture possession of the Leased Premises at any time thereafter upon thirty (30) days written notice to Bass Pro if Bass Pro does not reopen for business within such thirty (30) day period, in which event the Bass Pro Lease shall automatically terminate on the thirtieth (30th) day following Bass Pro's receipt of such notice and City and Bass Pro shall, upon such termination date, be released from any and all liabilities thereafter accruing under the Bass Pro Lease. If City does not elect to terminate the Lease as provided above, then (i) all provisions of the Bass Pro Lease, including, without limitation, Bass Pro's obligation to pay Rent, shall remain in full force and effect for the balance of the then-current Term and (ii) Bass Pro shall have the right, without City's consent, to assign the Bass Pro Lease or sublet the Leased Premises or any part or parts thereof, to any third party for any lawful use subject, however, to the provisions of the Bass Pro Lease. Bass Pro shall conduct its business at all times in a first-class and reputable manner. Bass Pro may operate its business at the Leased Premises and remain open

for hours comparable to Bass Pro's other retail stores operated under the Trade Name. Bass Pro shall conduct its business in the Leased Premises in a lawful manner and shall not use or allow the Leased Premises to be used for any illegal purposes. Bass Pro shall not use, or permit to be used, the Leased Premises in a manner that would constitute a nuisance. In addition to the Leased Premises, Bass Pro shall have the right to display boats, recreational vehicles, off-road vehicles and all-terrain vehicles in the areas of the Project during the hours and days and in the manner as may be agreed from time to time by City and Bass Pro (each party agreeing to act reasonably in this regard).

Bass Pro's Warranties

Bass Pro warrants, represents, covenants and agrees that, in the operation of its business within the Leased Premises, Bass Pro shall, subject to the terms of the Bass Pro Lease: (a) pay before delinquency any and all taxes, assessments and public charges levied, assessed or imposed upon Bass Pro's business, or upon Bass Pro's fixtures, furnishings or equipment at the Leased Premises, or upon any personal property owned by Bass Pro (City being responsible for all taxes with respect to any property purchased from the proceeds of the Allowance) and pay when and as due all license fees, permit fees and charges of a similar nature for the conduct by Bass Pro or any subtenant or concessionaire of any business or undertaking authorized under the Bass Pro Lease to be conducted in, on or from the Leased Premises; (b) keep the Leased Premises and any platform, loading dock or service area used by Bass Pro in a neat, clean, safe and sanitary condition; and (c) promptly comply with all present and future laws, ordinances, orders, rules, regulations and requirements of all governmental authorities having jurisdiction, and observe and comply with all covenants and restrictions of record affecting or applicable to the Leased Premises or the cleanliness, safety, occupancy and use of the same, provided that such encumbrances do not conflict with any provision of the Bass Pro Lease or materially interfere with Bass Pro's ability to operate in the Leased Premises in accordance with the Bass Pro Permitted Use (as used in the Bass Pro Lease, the term "legal requirements" shall include the requirements set forth in this subparagraph). Notwithstanding the foregoing or anything to the contrary contained in the Bass Pro Lease, Bass Pro may contest or appeal any taxes, assessments and public charges and any legal requirement and shall not be required to pay or comply with any of the foregoing during the pendency of any appropriate proceedings.

Radius

Bass Pro agrees that during the twenty (20) year Initial Term, Bass Pro will not, within twenty (20) miles of the Project (the "Protected Area") own, operate or become financially interested in any business similar to or in competition with the business of Bass Pro at the Leased Premises ("Competing Business"), other than (i) Tracker Marine dealerships within the Protected Area, (ii) sales by American Rod and Gun (a wholesaler to dealers) within the Protected Area; and (iii) the catalog mail order business of BPS Catalog, L.P. within the Protected Area. In the event of a breach of the foregoing by Bass Pro, then, as City's sole remedy therefor, the gross sales of any such Competing Business within the Protected Area shall be included in Bass Pro's Gross Sales made from the Leased Premises and the Percentage Rent under the Bass Pro Lease shall be computed upon the aggregate of Bass Pro's Gross Sales made from the Leased Premises and Bass Pro's gross sales made from each such Competing Business then conducted within the Protected Area. Bass Pro shall be obligated to provide City with full and complete gross sales information and reports with respect to any Competing Business within the Protected Area in accordance with the requirements of Article III of the Bass Pro Lease and Bass Pro shall be obligated to include the applicable portion of the gross sales of such Competing Business in with the Gross Sales of the Leased Premises and to pay Percentage Rent thereon in accordance with the terms of the Bass Pro Lease. City and Bass Pro acknowledge and agree, however, that the foregoing shall not prohibit the operation by Bass Pro of any Competing Business within the Protected Area which is the result of an acquisition by Bass Pro of the assets of or the controlling ownership interest in a business which, at the time of the acquisition by Bass Pro, operates multiple locations/stores, at least eighty percent (80%) of which are operated outside of the Protected Area.

Use of Common Areas

City agrees, at no cost or expense to Bass Pro, to cause to be operated, managed and maintained during the entire Term (including any Renewal Option) all of the Common Areas of the Project. Bass Pro shall have the non-exclusive right to use in common with all others to whom have been or may hereafter be granted rights, from time to time, to use the Common Areas (including, but not limited to, the owners, tenants and occupants of the Project) and such other facilities as may be designated as Common Areas from time to time; subject, however, to reasonable rules and regulations for the use thereof which will be uniformly applicable to all tenants and occupants of the Project. Bass Pro shall have the right to approve the areas where employees of tenants and occupants of the Project (including Bass Pro's employees) shall park their cars. Bass Pro acknowledges that the Common Areas may be temporarily closed to make repairs or changes, to prevent the acquisition of public rights in the Common Areas and to discourage non-customer use, provided the same shall not materially adversely affect access to or visibility of the Leased Premises. In the event a Master Declaration or other similar document now exists or is subsequently adopted that governs the use and control of the Common Areas, the Leased Premises and/or the Project, such Master Declaration or other similar document shall only be enforceable against Bass Pro to the extent the same does not conflict with any provision of the Bass Pro Lease or materially interfere with Bass Pro's ability to operate at the Leased Premises in accordance with the provisions of the Bass Pro Lease. City shall provide or cause to be provided, at no cost or expense to Bass Pro, security for the Project (other than the Leased Premises and the "Hotel Parcel" described in the Bass Pro Lease) and the level and type of security provided shall be no less than the level and type of security provided in connection with good and accepted shopping center practices. Bass Pro shall be responsible for providing security with respect to the Leased Premises.

Subject to City's prior consent thereto (which consent shall not be unreasonably withheld, delayed or conditioned) and subject to Bass Pro obtaining any and all licenses and permits therefor, Bass Pro shall have the right to make use of the Common Areas of the Project in connection with the special events conducted by Bass Pro at the Leased Premises, including, without limitation, the erection of tents and other temporary structures and the temporary parking of boats, recreational vehicles and other similar vehicles thereon. Bass Pro shall be responsible for any damage to the Common Areas caused by Bass Pro's use thereof in connection with such special events of Bass Pro.

City agrees, at no cost or expense to Bass Pro, to cause the Common Areas of the Project to be maintained in good order, condition and repair and in a safe, clean, sightly and sanitary condition in accordance with good and accepted shopping center practices. Notwithstanding anything to the contrary contained in the Bass Pro Lease, except for the negligent acts or omissions of Bass Pro, City agrees to indemnify and hold Bass Pro harmless with respect to any and all claims, actions, injuries, damages, liability, costs and expense, including reasonable attorneys' fees, arising with respect to the possession, use, occupancy, management, repair, maintenance or control of the Common Areas or the Project, or any portion thereof.

Notwithstanding anything to the contrary contained in the Bass Pro Lease, in no event shall Bass Pro or a Permitted Successor be obligated to pay to City or any other party any portion of the costs of maintaining the Common Areas.

Repairs and Maintenance by City

During the Initial Term, City shall, at its expense, keep in good order, condition and repair the underground electrical conduit servicing the Leased Premises (up to the Pad), the sewer lines servicing the Leased Premises (up to the Pad) and all plumbing and utility lines servicing the Leased Premises (up to the Pad). In addition, during the entire Term (including any Renewal Option), City shall be responsible for repairs and maintenance necessitated by the actions, omissions or negligence of City, its agents, contractors or employees. Other than the foregoing, City shall have no obligation to maintain or repair the Leased Premises and the Bass Pro shall hold City harmless with respect thereto.

Repairs and Maintenance by Bass Pro

Except for the repairs and maintenance required to be made and performed by City pursuant to the Bass Pro Lease, throughout the entire Term (including any Renewal Option), Bass Pro shall, at its sole cost and expense, keep in good order, condition and repair all aspects of the Leased Premises, including, without limitation, the roof(s), foundation(s), exterior(s) and all structural portions of the improvements at the Leased Premises. In addition, Bass Pro shall, at its expense, be responsible for the complete repair, maintenance and/or replacement of Bass Pro's Parking Field.

Without limiting the generality of the foregoing, throughout the entire Term (including any Renewal Option), Bass Pro shall, at its expense, promptly make all repairs and replacements and perform all necessary and appropriate maintenance in and to all of Bass Pro's merchandise, trade fixtures, furnishings, equipment and personal property located at the Leased Premises which are necessary or desirable in order to keep the same in good order, condition and repair. In addition, Bass Pro, at its expense, shall maintain and promptly make any and all necessary repairs to or replacements of: (i) the glass windows, plate glass doors and all fixtures or appurtenances composed of glass that are located in, on or about the Leased Premises; (ii) Bass Pro's signage; (iii) the Leased Premises or any part of the Project when repairs thereto are necessitated by any negligent act or omission of Bass Pro or any of Bass Pro's subtenants, agents, employees or contractors, or by the failure of Bass Pro to perform any of its obligations under the Bass Pro Lease; (iv) any special landscaping and any additional specialized improvement installed by Bass Pro in the Leased Premises; and (v) the heating, ventilating and air-conditioning system(s) servicing the Leased Premises.

Except for the repairs and maintenance required to be made and performed by City pursuant to the terms of the Bass Pro Lease, Bass Pro shall, at its sole cost and expense, keep and maintain the Leased Premises in a clean, sanitary and safe condition in accordance with the laws of the State and without waiving any of its rights to contest the same, Bass Pro shall comply with all requirements of law, ordinance, rules, regulations and orders of any lawful authority having jurisdiction affecting the Leased Premises or Bass Pro's use thereof.

If Bass Pro fails, refuses or neglects to perform its obligations (ordinary wear and tear excepted) and the same is not cured by Bass Pro within a reasonable time period after Bass Pro's receipt of written notice thereof from City, then City may, in accordance with the terms and conditions of the Bass Pro Lease, but without obligation to do so, enter the Leased Premises and proceed forthwith to have such maintenance, repairs or replacements made and Bass Pro shall pay to City, on demand, the cost and expenses therefor.

Standard of Operation

Throughout the entire Term (including any Renewal Option), City shall cause the Project, including the Common Areas (excluding, however, the Leased Premises), to be continuously operated and maintained in a first-class manner and in strict accordance with the Bass Pro Lease. In the event City fails to cause compliance with the foregoing standard of operation and maintenance, the same shall be deemed a breach of the Bass Pro Lease and Bass Pro shall have the rights and remedies provided in the Bass Pro Lease.

Real Estate Taxes

The land upon which the Leased Premises is located will be exempt from "Real Estate Taxes" (as defined in the Bass Pro Lease) during the Term and Bass Pro shall have no obligation to pay any Real Estate Taxes with respect thereto.

City's Insurance Obligations

City, at its sole cost and expense, shall obtain and maintain during the entire Initial Term standard "all risk" property insurance against fire, theft, vandalism, malicious mischief, sprinkler leakage and such

additional perils as now or hereafter may be included in a standard extended coverage insurance endorsement, including coverage for flood and earthquake, in amounts at least equal to the replacement value of the improvements located at the Leased Premises as of the date of such casualty and with such additional coverages and with such special endorsements as City shall determine from time to time, insuring the improvements located at the Leased Premises (exclusive of Bass Pro's merchandise, trade fixtures, furnishings, equipment and personal property). Throughout the Initial Term, City and Bass Pro agree to cooperate with each other in determining the appropriate amount of insurance to be carried by City pursuant to the Bass Pro Lease.

City, at its sole cost and expense, shall obtain and maintain during the entire Term (including any Renewal Option) commercial general liability insurance protecting against any and all claims for injury to persons or property occurring in, on or about the Project, including, without limitation, all Common Areas, in the minimum amount of Five Million Dollars ($5,000,000) per occurrence and with an aggregate limit of at least Five Million Dollars ($5,000,000).

City shall have the right to carry its insurance under the "blanket policies" covering other properties. City agrees to deliver to Bass Pro, on an annual basis, certificates evidencing the satisfaction of City's insurance obligations as provided in the Bass Pro Lease. Each insurance policy required to be carried under the Bass Pro Lease by or on behalf of City shall provide that, unless Bass Pro shall first have been given thirty (30) days' prior written notice thereof, the insurer will not cancel or fail to renew the coverage provided by such insurance policy. The term "insurance policy" as used in the Bass Pro Lease shall be deemed to include any extensions or renewals of such insurance policy.

Bass Pro's Insurance Obligations

On and after the Commencement Date, Bass Pro, at Bass Pro's sole cost and expense, shall obtain and maintain in effect throughout the entire Term (including any Renewal Option) insurance policies providing for the following coverage: (i) standard "all risk" property insurance against fire, theft, vandalism, malicious mischief, sprinkler leakage and such additional perils as now are or hereafter may be included in a standard extended coverage endorsement, including coverage for flood and earthquake, insuring Bass Pro's merchandise, trade fixtures, furnishings, equipment and all items of personal property of Bass Pro located in, on or about the Leased Premises in an amount at least equal to the full replacement value thereof. Notwithstanding anything in clause (i) to the contrary, during the Construction Period, Bass Pro (or its general contractor) shall maintain the "Builder's Risk" policy described in the Bass Pro Lease, and Bass Pro's obligation to carry the property insurance described in clause (i) shall commence only at such time as Bass Pro's Work has been substantially completed and is no longer covered under the Builder's Risk policy; (ii) a commercial general liability policy, including insurance naming City and any mortgage holder of the Leased Premises as additional insureds, protecting against any and all claims for injury to persons or property occurring in, on or about the Leased Premises, including coverage for products liability for merchandise offered for sale or lease from the Leased Premises and coverage for liability arising out of the consumption of food and/or alcoholic beverages on or obtained at the Leased Premises (if applicable to Bass Pro's business) and protecting against assumed or contractual liability under the Bass Pro Lease with respect to the Leased Premises and the operations of Bass Pro and any subtenant of Bass Pro in, on or about the Leased Premises, with such policy to be in the minimum amount of Five Million Dollars ($5,000,000) per occurrence, and with an aggregate limit of at least Five Million Dollars ($5,000,000); (iii) workers' compensation coverage as required by law; (iv) with respect to alterations, improvements and the like required or permitted to be made by Bass Pro under the Bass Pro Lease, property and builder's risk insurance in commercially reasonable amounts; (v) business interruption insurance; and (vi) umbrella coverage in an amount equal to Five Million Dollars ($5,000,000).

During any Renewal Option, Bass Pro shall, at its sole cost and expense, obtain and maintain standard "all risk" property insurance against fire, theft, vandalism, malicious mischief, sprinkler leakage and such additional perils as now or hereafter may be included in a standard extended coverage insurance endorsement,

including coverage for flood and earthquake, in amounts at least equal to the replacement value of the improvements located at the Leased Premises as of the date of such casualty and with such additional coverages and with such special endorsements as Bass Pro shall determine from time to time, insuring the improvements located at the Leased Premises.

All insurance policies in the Bass Pro Lease to be procured by Bass Pro shall: (i) be issued by insurance companies reasonably satisfactory to City; and (ii) insure and name City, any mortgage holder of the Leased Premises and any parties in interest designated by City as additional insureds, as their respective interests may appear (except with respect to workers' compensation insurance). Neither the issuance of any insurance policy required under the Bass Pro Lease, nor the minimum limits specified in the Bass Pro Lease with respect to City's or Bass Pro's insurance coverage, shall be deemed to expand, limit or restrict in any way City's or Bass Pro's liability arising under or out of the Bass Pro Lease. With respect to each of the insurance policies required in the Bass Pro Lease to be procured by Bass Pro, on or before the Delivery Date and before any such insurance policy shall expire, Bass Pro shall deliver to City upon City's written request a certificate of insurance, certifying that such policy has been issued, providing the coverage required by the Bass Pro Lease and containing the provisions specified in the Bass Pro Lease. Each insurance policy required to be carried under the Bass Pro Lease by or on behalf of Bass Pro shall provide that, unless City shall first have been given thirty (30) days' prior written notice thereof, the insurer will not cancel or fail to renew the coverage provided by such insurance policy. The term "insurance policy" as used in the Bass Pro Lease shall be deemed to include any extensions or renewals of such insurance policy.

Waiver of Subrogation

Notwithstanding any provision of the Bass Pro Lease to the contrary, City and Bass Pro each hereby waive any rights they may have against the other, including, but not limited to, a direct action for damages on account of any loss or damage occasioned by City or Bass Pro, as the case may be (whether or not such loss or damage is caused by the fault, negligence or other tortious conduct, acts or omissions of City or Bass Pro or their respective officers, directors, employees, agents or invitees), to the improvements on the Leased Premises and any personal property located therein or thereon or to any other portion of the Project to the extent such property is insured or is required to have been insured by the provisions of the Bass Pro Lease. The parties hereto each, on behalf of their respective insurers, grant to one another a waiver of any right of subrogation any such insurer may have against the other party or their respective officers, directors, members, managers, employees, agents or invitees by virtue of payment of any loss under any such insurance and all rights of their respective insurance companies based upon an assignment from its insured. Each party to the Bass Pro Lease agrees immediately to give to each such insurance company written notification of the terms of the mutual waivers contained in this section and to have such insurance policies properly endorsed, if necessary, to prevent the invalidation of such insurance coverage by reason of said waivers. The foregoing waiver shall be effective whether or not the parties maintain the required insurance.

Covenant to Hold Harmless

Subject to the Bass Pro Lease and except for the negligent acts or omissions or willful misconduct of City, its agents, contractors or employees, and except for matters which arise in connection with a breach by City of its obligations under the Bass Pro Lease, Bass Pro hereby indemnifies and agrees to save harmless City, its officers, employees and agents and any mortgage holder of the Project, from and against any and all claims, actions, damages, liability, cost and expense, including reasonable attorneys' fees, that (a) arise from or are in connection with the possession, use or occupancy of the Leased Premises, including Bass Pro's Parking Field, or (b) arise from or are in connection with any negligent, willful or wanton act or omission of Bass Pro or Bass Pro's officers, directors, members, partners, representatives, agents, employees, contractors, licensees or invitees, or (c) result from injury to person or property or loss of life sustained in, on or about the Leased Premises. Bass Pro shall, at its own cost and expense, defend any and all actions, suits and proceedings which may be brought against City or any mortgage holder of the Leased Premises with respect to the foregoing.

Casualty

If the Leased Premises and/or the improvements located at the Leased Premises are damaged or rendered wholly or partially untenantable by fire or other casualty during the Term, then the Bass Pro Lease shall not be terminated or otherwise affected, Rent shall not be abated and all insurance proceeds received shall be used to reconstruct and restore the Leased Premises and the improvements located thereon to the condition existing prior to the damage as provided in the Bass Pro Lease, subject, however, to Bass Pro's right to terminate the Bass Pro Lease as provided therein.

In the event of any damage or destruction to the Leased Premises and/or the improvements located at the Leased Premises occurring at any time during any Renewal Option, Bass Pro shall have the right to terminate the Bass Pro Lease by delivering to City written notice to that effect within thirty (30) days after the date of such casualty. In the event Bass Pro exercises the foregoing option to terminate, the insurance proceeds payable in connection with such damage or destruction of the improvements on the Leased Premises shall be payable to the City and Bass Pro, as their interests appear in such improvements and City and Bass Pro shall be relieved from any and all further liabilities and obligations accruing under the Bass Pro Lease from and after the date of such termination. In the event of such damage and if the Bass Pro Lease is not terminated as provided in the Bass Pro Lease, all insurance proceeds received will be used to restore the improvements on the Leased Premises to the condition existing prior to damage as provided in the Bass Pro Lease. City shall have no right to or any interest in any insurance proceeds relating to loss of Bass Pro's interest in the improvements on the Leased Premises or relating to the loss of inventory, merchandise, trade fixtures, supplies, furniture, fixtures, equipment or personal property of Bass Pro paid for by Bass Pro or relating to the proceeds of any business interruption insurance purchased by Bass Pro.

Notwithstanding anything to the contrary contained in the Bass Pro Lease, if, at any time during the Term, the Leased Premises and/or the improvements located at the Leased Premises are damaged by fire or other casualty and sufficient insurance proceeds are not received to reconstruct and restore the Leased Premises and the improvements thereon to the condition existing prior to the damage, then, in that event, City warrants and represents to Bass Pro that, during the twenty-four (24) month period following such casualty, no space in the Project shall be leased or occupied by a direct competitor of Bass Pro. For purposes of the immediately preceding sentence, the phrase "a direct competitor of Bass Pro" means a tenant or occupant whose principal business is the retail sale of hunting, fishing, camping, boating or recreational vehicle products or services.

Reconstruction

If at any time during the Term the Leased Premises and the improvements located thereon are damaged by fire or other casualty and the Bass Pro Lease is not terminated in accordance with its provisions, then all insurance proceeds from policies carried pursuant to the Bass Pro Lease, however recovered, shall be paid to Bass Pro and utilized by Bass Pro, in its capacity as construction agent for and on behalf of City, for payment of the costs of repairing, replacing and rebuilding the Leased Premises and the improvements located thereon and the damage to the Leased Premises and the improvements located thereon shall be promptly repaired to the condition existing prior to the damage. Subject to Bass Pro's receipt of insurance proceeds sufficient to reconstruct the improvements located at the Leased Premises to the condition existing prior to such damage (exclusive of insurance proceeds respecting Bass Pro's merchandise, trade fixtures, furnishings, equipment and personal property) and further subject to Bass Pro's receipt of all necessary governmental approvals (which proceeds and approvals City and Bass Pro agree to use reasonable and diligent good faith efforts to obtain), Bass Pro shall, in its capacity as construction agent for and on behalf of City, be obligated to diligently pursue the completion of such reconstruction work and shall cause the same to be completed as soon thereafter as possible under the attendant circumstances and shall comply with all laws, ordinances and governmental rules or regulations in connection therewith and shall perform such reconstruction work in a first-class manner. Any costs incurred by Bass Pro in connection with such reconstruction work which exceed the insurance proceeds received in an amount equal to the full replacement value of the Leased Premises and

the improvements located thereon as of the date of such casualty shall be the sole obligation of Bass Pro. After completion of the reconstruction, Bass Pro, at Bass Pro's sole cost, shall repair or replace Bass Pro's merchandise, trade fixtures, furnishings and equipment in a manner and to at least a condition equal to that prior to the damage or destruction thereof ("Bass Pro Fixturing"). Bass Pro shall comply with all laws, ordinances and governmental rules or regulations, and shall perform all Bass Pro Fixturing with due diligence and in a first-class manner. All permits required in connection with Bass Pro Fixturing shall be obtained by Bass Pro at Bass Pro's sole cost and expense. Any amount expended by Bass Pro in connection with Bass Pro Fixturing in excess of any insurance proceeds received therefor by Bass Pro shall be the sole obligation of Bass Pro. Bass Pro shall be obligated to reopen for business on the one hundred twentieth (120th) day following the date that the reconstruction has been substantially completed, unless Bass Pro opens at an earlier time in the damaged area or remains open in such area following destruction or damage. City and Bass Pro acknowledge and agree that the average monthly Percentage Rent which Bass Pro was obligated to pay from the Commencement Date to the time of such casualty or during the preceding twelve (12) full calendar months, whichever is shorter, shall be deemed to be the monthly Percentage Rent that Bass Pro would have been obligated to pay during the period that the Leased Premises is untenantable as a result of such casualty.

Condemnation

If Bass Pro's ability to conduct its business operations at the Leased Premises is materially adversely affected as a result of a taking or condemnation by any governmental authority of all or a portion of the Leased Premises (including any purchase by such governmental authority in lieu of a taking), then Bass Pro may terminate the Bass Pro Lease by giving written notice to City to that effect within thirty (30) days of the date of such taking. In addition, if as a result of any such taking the parking facilities are reduced below the minimum parking number or ratio required under the Bass Pro Lease, Bass Pro may elect to terminate the Bass Pro Lease by giving City written notice within thirty (30) days after such taking. In the case of any taking or condemnation occurring after the Commencement Date, whether or not the Term of the Bass Pro Lease shall cease and terminate, any award or compensation paid on account thereof shall be divided between City and Bass Pro as their respective interests appear in order to compensate each for the damage to their respective interests. Any award or compensation payable with respect to a taking of condemnation prior to the Commencement Date shall be paid in its entirety to City.

Assignment, Subletting or Encumbering of Lease

Bass Pro shall have the right, without City's consent, to sublet certain aspects of its operations consistent with Bass Pro's other retail stores operated under the Trade Name from time to time throughout the United States, including, without limitation, the subleasing of certain of Bass Pro's operations to Bass Pro's affiliated entities and to non-affiliated third parties. In addition to and without limiting the generality of the foregoing, Bass Pro shall have the right without City's consent to sublet the operation of any restaurant located at the Leased Premises. Upon the request of City, but in no event more than one (1) time per year, Bass Pro shall deliver to City such information as may be reasonably requested by City with respect to subtenants at the Leased Premises. So long as Bass Pro is not in default of the Bass Pro Lease beyond any applicable cure or grace period, Bass Pro shall be entitled to retain all rents paid by such subtenant. In addition, at any time after the expiration of the Operating Covenant Period (provided Bass Pro has not exercised its option to purchase the Leased Premises in accordance with the Bass Pro Lease and provided City does not elect to terminate the Bass Pro Lease as provided therein), Bass Pro shall have the right, without City's consent, at any time and from time to time thereafter to assign the Bass Pro Lease or sublet the Leased Premises or any part or parts thereof to any third party for any lawful use. Except as provided in the Bass Pro Lease, any assignment or sublease of the Leased Premises by Bass Pro shall be prohibited without the prior written consent thereto by City, which consent shall not be unreasonably withheld, delayed or conditioned.

The consent by City to any proposed assignment or sublease (which requires the consent of City) shall not release Bass Pro from any covenant or obligation under the Bass Pro Lease, nor be deemed a waiver or release of the non-assignability covenants in their future application, nor shall the collection or acceptance of

rent from any such assignee, transferee, subtenant or occupant constitute a waiver or release of Bass Pro of any covenant or obligation contained in the Bass Pro Lease.

Notwithstanding anything to the contrary contained in the Bass Pro Lease, Bass Pro may, at any time during the Term, without the consent of City, assign its interest under the Bass Pro Lease or sublet the Leased Premises to any Permitted Successor (hereinafter collectively referred to as a "Transfer"). In no event shall any Transfer release or relieve Bass Pro from any of its obligations under the Bass Pro Lease. Bass Pro agrees to give City written notice of such Transfer. Nothing in the Bass Pro Lease shall be construed to prohibit, impair or affect in any way the right of the owners of the membership interests of Bass Pro (or corporate interests, if the present structure is reorganized into a corporation) to sell all or any part of such interests to a Permitted Successor.

Without conferring any rights upon Bass Pro not otherwise provided in the Bass Pro Lease, should Bass Pro desire to enter into an assignment, sublease or transfer of the Bass Pro Lease or Bass Pro's rights under the Bass Pro Lease which requires the consent of City, Bass Pro shall request in writing City's consent to the assignment, sublease or transfer at least thirty (30) days before the proposed effective date of the assignment, sublease or transfer providing the following: (i) the full particulars of the proposed assignment, sublease or transfer of the Bass Pro Lease or Bass Pro's rights under the Bass Pro Lease, including its nature, effective date, terms and conditions, and copies of any offers, draft agreements, subleases, letters of commitment or intent and other documents pertaining to the proposed assignment, sublease or transfer; (ii) a description of the identity, net worth and previous business experience of the proposed transferee; and (iii) any further information relevant to the proposed assignment, sublease or transfer which City shall reasonably request after receipt of Bass Pro's request for consent.

Notwithstanding any assignment, subletting or transfer of the Bass Pro Lease or Bass Pro's rights under the Bass Pro Lease, Bass Pro shall remain fully liable on the Bass Pro Lease and for the performance of all terms, covenants and provisions of the Bass Pro Lease for the balance of the then-current Term.

Subordination

Provided that Bass Pro has received an executed subordination and non-disturbance agreement ("SNDA") from all parties having rights senior or superior to Bass Pro's rights in the Leased Premises (including mortgagees) Bass Pro agrees that the Bass Pro Lease shall, at the request of City, be subordinate to any mortgages or deeds of trust that may hereafter be placed upon the Project or any portion thereof and to any and all advances to be made thereunder, and to the interest thereon, and all renewals, replacements and extensions thereof, subject to the rights conferred upon Bass Pro pursuant to the SNDA.

Attornment

In the event any proceedings are brought for the foreclosure of, or in the event of the conveyance by deed in lieu of foreclosure of, or in the event of exercise of the power of sale under, any mortgage and/or deed of trust or other security instrument made by City affecting the Project or any portion thereof, the Bass Pro Lease shall remain in full force and effect and in accordance with the terms and conditions of the SNDA, Bass Pro shall attorn to such successor-in-interest and recognize such successor-in-interest as the City under the Bass Pro Lease.

Advertising Program

So long as Bass Pro is not in default under the Bass Pro Lease beyond applicable grace or cure periods and Bass Pro is open and operating in the Leased Premises in conformance with the Bass Pro Permitted Use, City warrants and represents to Bass Pro that Bass Pro's business operations at the Leased Premises shall be prominently featured in the advertising program for the Project. Bass Pro shall have the reasonable right of

review and approval with respect to such advertising program as it pertains to Bass Pro. Neither Bass Pro nor any Permitted Successor shall have any obligation to contribute to the advertising or promotion of the Project.

Grand Opening Promotions

City warrants and represents to Bass Pro that approximately twenty-five percent (25%) of the grand opening promotional budget for the Project shall be allocated to promotions prominently featuring Bass Pro's business operations at the Project. Bass Pro shall have a reasonable right of review and approval with respect to the use of such funds. These funds shall be utilized within sixty (60) days prior to the opening of Bass Pro's store, with the intent of creating the maximum awareness for such opening of Bass Pro's store.

Elements of Default

If any one or more of the following events shall occur and be continuing, said event or events shall hereby constitute a "default": (a) the failure of Bass Pro to pay any rent or other charges required to be paid by Bass Pro when same shall become due and payable under the Bass Pro Lease and such failure continues for a period of ten (10) days after written notice thereof from City to Bass Pro; or (b) the failure of Bass Pro to perform or observe any term or condition of the Bass Pro Lease (other than as set forth in subparagraph (a)), and such failure shall continue for thirty (30) days after receipt by Bass Pro of written notice from City, which notice specifically describes the default in question; provided, however, that in the event such default is not capable of being cured within such thirty (30) day period, Bass Pro shall be given such additional time as is required to cure such default so long as Bass Pro commences such cure within such thirty (30) day period and diligently prosecutes the cure to completion. Notwithstanding the foregoing or any provision to the contrary contained in the Bass Pro Lease, in the event of a bona fide dispute between Bass Pro and City, Bass Pro shall have the right, within the applicable notice and cure period, to notify City of Bass Pro's desire to dispute the validity of City's claim of default. In the event such dispute relates to the payment of money, the notice of dispute, to be valid, shall be accompanied by payment of that portion of the sum due as to which Bass Pro does not take issue, limiting the notice of dispute to only the net amount actually disputed. The dispute notice shall be accompanied by a detailed statement of the basis for Bass Pro's dispute. In such circumstances, the time within which to cure any claimed default as to which a bona fide dispute has been raised will be extended to the date which is ten (10) days following the final determination of the court or other forum, or in the event the dispute is resolved before any such final determination, within ten (10) days after the settlement or other resolution of the dispute.

Remedies for Bass Pro's Default

In the event of any such default by Bass Pro which is not cured within applicable grace periods, City may at any time thereafter, in addition to other rights or remedies it may have under the Bass Pro Lease, by written notice to Bass Pro, declare the Bass Pro Lease terminated and the Term ended, in which event, the Bass Pro Lease and the Term thereof shall expire, cease and terminate with the same force and effect as though the date set forth in the notice of termination were the date originally set forth in the Bass Pro Lease and fixed for the expiration of the then-current Term, and Bass Pro shall immediately vacate and surrender the Leased Premises in accordance with the Bass Pro Lease and, except as otherwise specifically provided in the Bass Pro Lease, Bass Pro shall remain liable for all obligations arising during the balance of the then-current Term as if the Bass Pro Lease had remained in full force and effect through the balance of the then-current Term, and if Bass Pro fails to so vacate the Leased Premises, City may, without prejudice to any other remedy which it may have for possession or arrearages in rent, enter upon and take possession of the Leased Premises and expel or remove Bass Pro and any other person who may be occupying the Leased Premises or any part thereof, without being liable for prosecution or any claim or damage therefor.

In the event of any such default by Bass Pro which is not cured within applicable grace periods, City may recover from Bass Pro the following:

(i) The amount of any unpaid rent which has accrued at the time of such termination; plus

(ii) The amount of any unpaid rent from and after the time of such termination for the balance of the then-current Term less any amount that could have been reasonably avoided by City mitigating its damages by subletting the Leased Premises, or otherwise.

(iii) The term "rent" as used in the Bass Pro Lease shall be deemed to be and to mean all sums of every nature required to be paid by Bass Pro pursuant to the terms of the Bass Pro Lease, whether to City or to others. Any "rent" payable under this section shall be computed by allowing interest at the rate provided in the Bass Pro Lease ("Interest") and shall be computed and adjusted by discounting such amount at the discount rate of the Federal Reserve Bank of New York at the time of award plus four percent (4%).

In the event of any default by Bass Pro which is not cured within applicable grace periods, City may either terminate the Bass Pro Lease or it may from time to time, without terminating the Bass Pro Lease, make such repairs as necessary in order to relet the Leased Premises, and relet the Leased Premises or any part thereof for such term or terms and for such rent and upon such other terms and conditions as City may determine advisable in its sole discretion, reasonably exercised. Upon each such reletting, all rentals and other sums received by City from such reletting shall be applied, first, to the payment of any indebtedness other than rent due under the Bass Pro Lease from Bass Pro to City; second, to the payment of any costs and expenses of such reletting, including reasonable brokerage fees and reasonable attorneys' fees and the costs of any repairs, specifically excluding, however, any tenant improvement allowance granted by City; third, to the payment of rent and other charges due and unpaid under the Bass Pro Lease; and the residue, if any, shall be held by City and applied in payment of future rent as the same may become due and payable under the Bass Pro Lease. If such rentals and other sums received from such reletting during any month are less than the amount payable to City by Bass Pro under the Bass Pro Lease for the subject month, Bass Pro shall pay such deficiency to City. Such deficiency shall be calculated and paid monthly. Notwithstanding any such reletting without termination, City may at any time elect to terminate the Bass Pro Lease for such previous uncured event of default.

In determining the rent which would be payable by Bass Pro under the Bass Pro Lease subsequent to default (during the Initial Term only), the average annual Percentage Rent which Bass Pro was obligated to pay from the commencement of the Term to the time of default, or during the preceding two (2) full calendar years, whichever period is shorter, shall be deemed prima facie to be the annual Percentage Rent that Bass Pro would have been obligated to pay for the period following the default through the expiration of the Initial Term. In determining the amount of rent which would be payable by Bass Pro under the Bass Pro Lease subsequent to default (during any of the three (3) five (5) year Renewal Options only), the average annual Gross Sales from the Leased Premises for the preceding two (2) full calendar years shall be deemed prima facie to be the amount of Gross Sales that Bass Pro would have made for the period following the default through the expiration of the then-current three (3) five (5) year Renewal Option.

Any damage or loss of rent sustained by City may be recovered by City, at City's option, at the time of the reletting or termination, in a single action or in separate actions from time to time as said loss of rents or damages shall accrue, or in a single proceeding deferred by City until the expiration of the then-current Term, (in which event Bass Pro hereby agrees that, at City's option, the cause of action shall not be deemed to have accrued until the date of expiration of the then-current Term).

Notwithstanding anything to the contrary contained in the Bass Pro Lease, in the event of any breach or default by Bass Pro under the Bass Pro Lease, which breach or default has not been cured within applicable

grace or cure periods or in the event the Bass Pro Lease is terminated, City agrees to use reasonable efforts to mitigate its damages resulting therefrom, including reletting the Leased Premises.

Notwithstanding anything to the contrary contained in the Bass Pro Lease, in the event of any breach or default by Bass Pro under the Bass Pro Lease which occurs prior to the Commencement Date and which is not cured within applicable grace or cure periods whether or not the Bass Pro Lease is terminated, City acknowledges and agrees that in no event shall the liability of Bass Pro or the "Guarantor" (as defined in the Bass Pro Lease), in the aggregate, exceed eighty-nine and nine-tenths percent (89.9%) of the costs incurred in connection with the construction activities at the Leased Premises through the date of such uncured event of breach or default.

Additional Remedies and Waivers

The rights and remedies of City and Bass Pro provided in the Bass Pro Lease shall be the sole and exclusive rights and remedies available in connection with a default of the Bass Pro Lease. No action or inaction by City or Bass Pro shall constitute a waiver of a default and no waiver of default shall be effective unless it is in writing, signed by the party waiving the default. No waiver by City or Bass Pro of any violation or breach of any of the terms, provisions or covenants contained in the Bass Pro Lease shall be deemed or construed to constitute a waiver of any other or later violation or breach of the same or any other of the terms, provisions and covenants contained in the Bass Pro Lease.

Default by City/Remedies

Notwithstanding anything to the contrary contained in the Bass Pro Lease, in the event City fails to perform or observe any term or condition of the Bass Pro Lease and such failure is not cured within thirty (30) days after receipt by City of written notice, which notice specifically describes the default in question; provided, however, that in the event such default is not capable of being cured within such thirty (30) day period, City shall be given such additional time as is required to cure such default so long as City commences such cure within said thirty (30) day period and diligently prosecutes the cure to completion; then, in that event, Bass Pro shall be entitled to recover not only its reasonable attorney fees, court costs and expenses, but also Bass Pro shall be entitled to pursue all available remedies at law or in equity.

Delays

If City or Bass Pro is delayed or prevented from performing any of their respective obligations under the Bass Pro Lease because of "acts of God" (including, for example and without limitation, fire, windstorm, flood and earthquake), strikes, lockouts, labor troubles, inability to procure materials, failure of power, governmental restrictions or reasons of a like nature not the fault of the party delayed in performing such obligation (specifically excluding, however, the inability or failure of City to obtain financing which may be necessary in order to fund the Allowance or construct the Project) ("Delays"), then, except as otherwise specifically provided in the Bass Pro Lease, the period of such Delays shall be deemed added to the time provided in the Bass Pro Lease for the performance of any such obligation and the defaulting party shall not be liable for losses or damages caused by such Delays; provided, however, that, this Article shall not apply to any obligation of City or Bass Pro that can be satisfied by the payment of money.

Return of Leased Premises

Upon the expiration or sooner termination of the Term of the Bass Pro Lease, Bass Pro shall quit and surrender to City the Leased Premises in accordance with the terms of the Bass Pro Lease and in a broom-clean condition, in good order, condition and repair, ordinary wear and tear excepted, and shall surrender to City all keys to or for the Leased Premises and inform City of all combinations of locks, safes and vaults, if any, in the Leased Premises. Subject to the provisions of the Bass Pro Lease , Bass Pro, at its expense, shall promptly remove all personal property of Bass Pro, repair all damage to the Leased Premises caused by such removal and restore the Leased Premises to the condition which existed prior to the installation of the property so removed, ordinary wear and tear excepted. Bass Pro's obligation to observe or perform the covenants set forth in the Bass Pro Lease shall survive the termination of the Bass Pro Lease. The provisions of this section are subject to Bass Pro's Purchase Option.

Holding Over

If Bass Pro shall hold possession of the Leased Premises after the expiration or termination of the Bass Pro Lease, at City's option (a) Bass Pro shall be deemed to be occupying the Leased Premises as a tenant from month-to-month, at a rental equal to two and one-half percent (2.5%) of all Gross Sales made in, on or from the Leased Premises during such holdover period and otherwise subject to all of the terms, covenants and conditions of the Bass Pro Lease; or (b) City may exercise any other remedies it has under the Bass Pro Lease including an action for wrongfully holding over. No extension or renewal of the Bass Pro Lease shall be deemed to have occurred by any holding over. Notwithstanding anything in this section to the contrary, if during any such holding over period Bass Pro is in good faith negotiating a renewal or extension of the Bass Pro Lease, then, in that event, so long as Bass Pro shall continue to so negotiate in good faith Bass Pro shall have the right to remain in possession of the Leased Premises upon the same terms and conditions, including the amount of rent payable, that were in effect during the period immediately proceeding the expiration of the Bass Pro Lease. The provisions of this section are subject to the Purchase Option contained in the Bass Pro Lease.

Utilities

Bass Pro shall be solely responsible for and promptly pay all costs and charges for all water, gas, heat, electricity, sewer and other utilities provided or used in or at the Leased Premises (including electricity costs to illuminate Bass Pro's Parking Field), commencing with the Delivery Date and continuing throughout the Term. All such costs incurred prior to the Commencement Date shall be paid from the Allowance. Bass Pro shall, at its option, be entitled to negotiate its own utility rates with local utility companies or be entitled to participate in the utility program at the Project, if any, "at cost" and Bass Pro shall be entitled to the benefit of any discounts, savings, rebates and incentives related thereto on a proportionate basis.

Trash and Garbage Removal

Bass Pro shall be solely responsible for trash and garbage removal from the Leased Premises.

Interest

Except as otherwise specifically provided in the Bass Pro Lease, any amount due from Bass Pro to City or from City to Bass Pro in the Bass Pro Lease which is not paid when due shall bear interest at the Federal discount rate charged at the Federal Reserve Bank of New York on the twenty-fifth (25th) day of the month preceding the date upon which the obligation is incurred plus five percent (5%) from the date due until paid, but the payment of such Interest shall not excuse or cure any default by Bass Pro or City under the Bass Pro Lease. In no event shall any Interest calculated under the Bass Pro Lease be at a rate which is higher than the maximum rate which is allowed under the usury laws of the State, which maximum rate of interest shall be substituted for the rate in excess thereof, if any, computed pursuant to this provision.

Effective Date

For all purposes of the Bass Pro Lease, the "Effective Date" of the Bass Pro Lease shall be the date first set forth above. Prior to the Effective Date, neither the Bass Pro Lease nor anything under the Bass Pro Lease contained shall be legally binding on either City or Bass Pro, and the submission of the Bass Pro Lease by one party to the other prior to such Effective Date for examination, consideration or discussion between City and Bass Pro shall not create any legal obligation or liability whatsoever on either party.

Attorneys' Fees

In any action or proceeding under the Bass Pro Lease, the prevailing party shall be entitled to recover from the other party, the prevailing party's reasonable costs and expenses in such action or proceeding, including reasonable attorneys' fees, costs and expenses. If either party is sued by a third party as a result of a violation of a covenant or warranty contained in the Bass Pro Lease by the other party hereto, then the party who has violated the covenant or warranty shall be responsible for the reasonable costs and expenses in such action or proceeding incurred by the other party, including reasonable attorneys' fees, costs and expenses.

Conditions Precedent to Bass Pro's Duty to Perform

Notwithstanding any other provision of the Bass Pro Lease, Bass Pro shall have no duty to perform under the Bass Pro Lease unless and until each of the following conditions precedent shall have been satisfied or waived in writing by Bass Pro:

(a) Prior to the Delivery Date, City shall have, at its expense, delivered to Bass Pro, a leasehold title insurance commitment with respect to the Leased Premises from a title insurance company acceptable to Bass Pro, in current ALTA form, in an insured amount of the Allowance plus $2,000,000, having only exceptions which do not materially interfere with Bass Pro's intended use and occupancy (the "Commitment").

(b) Prior to the Delivery Date, City shall have furnished to Bass Pro, at City's expense, a current "as-built" ALTA survey of the Leased Premises.

(c) Prior to the Delivery Date, City shall have furnished to Bass Pro, at City's expense, an environmental report certifying to Bass Pro that the Leased Premises are free and clear of all "Hazardous Materials" (as defined in the Bass Pro Lease).

(d) Each of the warranties and representations of City shall be true and correct in all material respects and City shall be in compliance with all material terms of the Bass Pro Lease.

(e) Prior to the Delivery Date, City shall have, at its expense, received from all applicable authorities and delivered to Bass Pro certification that the Leased Premises are zoned so as to permit Bass Pro to conduct the Bass Pro Permitted

(f) Bass Pro shall have received a SNDA from all parties having rights senior or superior to Bass Pro's rights in the Leased Premises (including mortgagees), which SNDA shall provide that in the event of default by City of its obligations to such senior parties, the occupancy of Bass Pro under the Bass Pro Lease will not be disturbed by such senior party and that Bass Pro may attorn to and make rent payments to such senior party as City under the Bass Pro Lease and continue in possession of the Leased Premises so long as Bass Pro complies with its obligations under the Bass Pro Lease.

(g) City shall have delivered to Bass Pro each of the respective portions of the Leased Premises in the condition required under the Bass Pro Lease.

(h) City shall have delivered to Bass Pro, concurrently with the execution of the Bass Pro Lease, an opinion of the office of the City Attorney for the City of Independence, Missouri to the effect that the Bass Pro Lease has been duly executed by and is binding and enforceable against the City in accordance with its terms, that all approvals necessary with respect to the execution and performance of the Bass Pro Lease by City have been obtained, and that the Lease is consistent with the Charter of the City of Independence, Missouri, the Constitution of the State of Missouri, the laws of the State of Missouri and any and all applicable laws, rules, regulations and ordinances and containing such other matters as Bass Pro and Bass Pro's counsel may reasonable request.

Guaranty of Lease

Bass Pro, Inc. agrees to guarantee the payment and performance of Bass Pro's obligations under the Bass Pro Lease and shall execute and deliver simultaneously with the execution and delivery of the Bass Pro Lease a Guaranty in the form attached thereto.

Bass Pro's Financing

Bass Pro and any assignee or subtenant of the entire Leased Premises may, from time to time without City's consent, assign, mortgage or otherwise encumber Bass Pro's or such assignee's or subtenant's leasehold estate in the Leased Premises, its interest in the improvements, its furniture, fixtures, equipment and inventory and its interest in the Bass Pro Lease or any part thereof to secure a loan or other obligation of such party or a related entity, provided that such security interest shall be subject to the terms, covenants and conditions of the Bass Pro Lease.

Project Concept

City warrants and represents to Bass Pro that throughout the entire Term Bass Pro shall have the reasonable right of approval with respect to the tenant/occupant mix at the Project for the purpose of insuring that the tenant/occupant mix is complimentary to Bass Pro's business operations at the Leased Premises.

Covenants Respecting Sales Tax

City covenants to and agrees with Bass Pro that, without the prior written consent of Bass Pro, at no time during the Term shall City take any action or assist, support or acquiesce to any actions which would impose or propose to impose any special sales or other tax upon the business operations of Bass Pro conducted at or from the Leased Premises beyond those sales and other taxes that are commonly imposed in the State, County or City in which the Leased Premises is located and the sales taxes imposed by the Thirty Ninth Street TDD and the contemplated TDD being established in conjunction with the Project, provided, however, that at all times during the Term, City shall cause the overall sales tax rate at the Project and at the Leased Premises to be maintained at or below "market rate" as compared to other commercial developments within the vicinity of the Project.

Hotel Parcel

Prior to the Delivery Date, City shall, at its expense, rough grade, to an elevation consistent with the surrounding property, the approximate five (5) acre parcel of real property identified on the Final Site Plan as "Hotel Parcel". On the Delivery Date, City shall, by general warranty deed, convey fee simple insurable title to the Hotel Parcel to Bass Pro, free and clear of all interests, liens and encumbrances, and deliver possession of the Hotel Parcel to Bass Pro. Irrespective of any other provisions of the Bass Pro Lease, without the written approval of City and Bass Pro, the total acreage of the Leased Premises and the Hotel Parcel shall not be less than or exceed twenty-five (25) acres.

Bass Pro agrees that (subject to force majeure) it will, at its sole cost and expense, construct or cause to be constructed on the Hotel Parcel a hotel containing a minimum of one hundred fifty (150) rooms (the "Hotel") and such other improvements thereon as desired by Bass Pro. Bass Pro further agrees that (subject to force majeure) it will cause the Hotel to be open for business within two (2) years of the Commencement Date and will use commercially reasonable efforts to cause the Hotel to remain open for business throughout the Operating Covenant Period. Notwithstanding the foregoing or anything to the contrary contained in the Bass Pro Lease, (i) any sales generated from the Hotel Parcel shall be excluded from Bass Pro's Gross Sales and Bass Pro shall have no obligation to pay City Percentage Rent with respect to any such sales, and (ii) as owner of the Hotel Parcel, Bass Pro shall, at its expense, be responsible for all expenses with respect to the Hotel Parcel, including, without limitation, the payment of all Real Estate Taxes, obtaining and maintaining casualty, fire and extended coverage insurance with respect to the Hotel Parcel and the improvements located thereon and for all repairs and maintenance in and to the Hotel Parcel and the improvements located thereon. City and Bass Pro further acknowledge and agree that (subject to force majeure) if the construction of the Hotel has not been substantially completed within three (3) years of the Commencement Date, then, in that event, as City's sole and exclusive remedy, Bass Pro shall be obligated to reconvey title to the Hotel Parcel to City.

City Park Area

City shall, at its expense, concurrently with the performance of Bass Pro's Work, construct the areas identified on the Development Plan as "City Park Area" (the "City Park Area"). City covenants and agrees that the City Park Area will consist of an approximate fifteen (15) acre lake and an additional wilderness/habitat area of approximately fifteen (15) acres. The City Park Area shall also include a waterfall and present a unique natural setting. City covenants and agrees that the City Park Area shall be completed no later than the opening of Bass Pro's store at the Leased Premises. The repair, maintenance and insurance obligations with respect to the City Park Area shall be the responsibility of City.

Purchase Option

Provided that Bass Pro is not then in default of the Bass Pro Lease beyond any applicable cure or grace period, City does hereby grant to Bass Pro (i) at the expiration of the twenty (20) year Initial Term and (ii) at the expiration of any Renewal Option, the absolute and irrevocable right and option to purchase the real property upon which the Leased Premises is located and all improvements located thereon on the terms and conditions set forth in the Bass Pro Lease (the "Option to Purchase"). In order to exercise the Option to Purchase, Bass Pro shall deliver to City written notice to that effect ("Bass Pro's Option Notice").

If Bass Pro exercises the Option to Purchase, then, in that event, the following terms shall apply to the purchase by Bass Pro from City of the Leased Premises:

(i) The purchase price shall be an amount equal to ninety percent (90%) of the fair market value of the Leased Premises and the improvements located thereon at the time the Option to Purchase is exercised as determined by a MAI appraisal and shall be paid in cash by Bass Pro to City at the closing of the Option to Purchase.

(ii) The closing of the Option to Purchase shall take place on the first (1st) business day following the date that the then-current Term expires (effective, however, as of the first (1st) calendar day following the date that the then-current Term expires).

(iii) At the closing of the Option to Purchase, City shall execute and deliver to Bass Pro (a) such documents of conveyance as Bass Pro, Bass Pro's counsel and Bass Pro's title insurance company may reasonably require which convey fee simple and insurable title to the real property upon which the Leased Premises is located and all improvements located thereon free and clear of any and all liens, interests and encumbrances, (b) a commitment for title insurance from a reputable title insurance company by the terms of which the title company agrees to issue to Bass Pro, at the closing of the Option to Purchase, an ALTA owner's policy of title insurance insuring Bass Pro's clear title to

the Leased Premises and (c) such other documents as may be reasonably requested by Bass Pro and Bass Pro's counsel.

(iv) Upon the closing of the Option to Purchase the Bass Pro Lease and the Term of the Bass Pro Lease shall terminate and be of no further force or effect.

Financing Condition

Notwithstanding any other provision of the Bass Pro Lease, City shall have no duty to perform under the Bass Pro Lease unless City shall have been able to obtain financing for the payment of the Allowance, upon such terms and conditions as are acceptable to City in its sole discretion (the "Financing Condition") on or before the one hundred twentieth (120th) day following the Effective Date (the "Financing Condition Date"). From and after the Effective Date, City agrees to use all commercially reasonable good faith diligent efforts to satisfy the Financing Condition as promptly as possible, but in no event later than the Financing Condition Date. If City has not satisfied the Financing Condition prior to the Financing Condition Date (provided City has not waived the Financing Condition prior to the Financing Condition Date), City shall have the right to terminate the Bass Pro Lease by delivering to Bass Pro written notice to that effect prior to the Financing Condition Date (the "Termination Notice"). If City delivers the Termination Notice prior to the Financing Condition Date, then the Bass Pro Lease shall thereupon terminate and neither party shall have any obligation thereafter accruing to the other under the Bass Pro Lease; provided, however, that in such event, City shall be obligated to reimburse Bass Pro for its design costs in accordance with the Bass Pro Lease (not to exceed Three Hundred Thousand Dollars ($300,000)). If City fails to deliver the Termination Notice prior to the Financing Condition Date, then the Financing Condition shall be deemed satisfied and waived and the Bass Pro Lease shall continue in full force and effect. If the Financing Condition is satisfied prior to the Financing Condition Date, City shall give Bass Pro prompt written notice thereof.

Environmental Matters - Warranties and Representations of City

City represents and warrants that as of the date possession of the Leased Premises is delivered by City to Bass Pro, the Leased Premises will be free of all "Hazardous Materials" and will not be in violation of any federal, state or local law, ordinance or regulation relating to industrial hygiene or to the environmental conditions on, under or about the Leased Premises including, but not limited to, soil and groundwater conditions. City further represents and warrants that during the time in which City has owned the Leased Premises, neither City nor, to City's knowledge, has any third party used, generated, manufactured, stored or disposed of on, under or about the Leased Premises or transported to or from the Leased Premises any Hazardous Materials, other than in the normal operation of City's business, and then only in compliance with all federal, state and local laws regulating the creation, maintenance, storage, transportation and disposal of Hazardous Materials. As used in the Bass Pro Lease, "Hazardous Materials" shall include, but shall not be limited to, polychlorinated biphenyls (PCBs), Petroleum, (including oil, motor oil and gasoline), natural gas (and synthetic gas usable for fuel), asbestos and asbestos containing materials (ACMs), underground storage tanks (USTs), above-ground storage tanks (ASTs) as well as substances, materials or conditions now or in the future defined as "hazardous substances", "pollutants" or "contaminants" in the Comprehensive Environmental Response Compensation and Liability Act (42 U.S.C. Section 9601, et seq.), those substances, materials or conditions now or in the future defined as "hazardous waste" in any applicable Hazardous Waste Management Law, and in the regulations adopted pursuant to said laws and any other substance, material or condition which is now or in the future may be considered hazardous or otherwise subject to any statutory or regulatory requirement governing handling, disposal and/or clean up.

Environmental and Industrial Hygiene Compliance by Bass Pro

Bass Pro warrants that it will not knowingly or negligently allow or cause the presence, disposal, release or threatened release of any Hazardous Materials on, from or under the Leased Premises, other than in normal operations of Bass Pro's business, and then only in compliance with all federal, state and local laws

regulating the creation, maintenance, storage, transportation and disposal of Hazardous Materials. Furthermore, Bass Pro covenants that it shall at all times during the Term of the Bass Pro Lease comply with all federal, state and local laws regulating the creation, maintenance, storage, transportation and disposal of Hazardous Materials.

Indemnification of Liability

City and Bass Pro each agree to indemnify and hold harmless the other party, its members, partners, shareholders, directors, officers, employees and agents, from and against any and all losses, claims, damages, penalties, liabilities, response costs and expenses (including all out-of-pocket litigation costs and the reasonable fees and expenses of counsel) (1) arising out of the material inaccuracy or incompleteness of any representation or warranty made in the Bass Pro Lease, or (2) arising in connection with the presence, use, generation, storage, release, threatened release, disposal or transport of Hazardous Materials by City, Bass Pro or, as respects City, any prior owner or operator of the Leased Premises including, without limitation, all costs of any required or necessary repair, clean-up or detoxification and preparation of any closure or other required plans, to the full extent that such action is attributable, directly or indirectly, to the presence or use, generation, storage, release, threatened release or disposal of Hazardous Materials by any known person or entity on the Leased Premises. This agreement to indemnify and hold harmless shall be in addition to any other obligations or liabilities that may exist at common law, or by statute or otherwise, and shall survive the transfer of title to the Leased Premises, any assignment of the Bass Pro Lease and the expiration or termination of the Bass Pro Lease.

Performance of Tests and Right of Entry

Bass Pro agrees to permit City, its agents, contractors, employees and representatives to enter upon and to inspect the Leased Premises at all reasonable times for the purposes of making site and building investigations and performing soil, groundwater and other tests. In performing such investigations and tests, City agrees to use its best efforts to avoid material interference with the operation of Bass Pro's business on the Leased Premises. If such investigations and tests do not reveal any Hazardous Materials contamination caused by Bass Pro other than any such contamination which may exist as a result of the normal business operations of Bass Pro, provided that the same is in compliance with all applicable federal, state and local laws and regulations, then City shall promptly repair any damages occasioned by such inspections and tests and City agrees to indemnify and save and hold harmless Bass Pro, its agents, employees and contractors, from any claim, suit, liability or damages, including reasonable attorney fees and court costs, arising out of or relating to such inspections and tests. In the event such investigations and tests do reveal any Hazardous Materials contamination caused by Bass Pro and such contamination is not in compliance with all applicable federal, state and local laws and regulations, then, in that event, Bass Pro shall promptly remove such contamination at its sole cost and expense and shall indemnify and save and hold harmless City, its agents, employees and contractors, from any claim, suit, liability or damages, including reasonable attorney fees and court costs, arising out of or relating to such contamination and Bass Pro shall reimburse City for the costs of such inspections and tests.

Indemnification by Bass Pro

In addition to any agreement to indemnify made by Bass Pro in the Bass Pro Lease, but subject to the Bass Pro Lease, City shall not be liable for, and, to the extent permitted by law, Bass Pro shall indemnify and save City harmless against and from, any and all liabilities, obligations, damages, penalties, claims, costs, charges and expenses, including reasonable attorneys' fees, which may be imposed upon or incurred by or asserted against City by reason of any of the following occurrences during the Term: (a) any work or thing done in, on or about the Leased Premises or any part thereof by Bass Pro or any agents, contractors, servants, employees, sub-tenants, licensees or invitees of Bass Pro; (b) any negligence on the part of Bass Pro or any agents, contractors, servants, employees, space tenants, licenses or invitees of Bass Pro; (c) any accident, injury or damage to any person or property occurring in, on or about the Leased Premises; or (d) subject to the

Bass Pro Lease, any failure on the part of Bass Pro or any of the sub-tenants, licensees or users of the Leased Premises to perform or comply with any of the covenants, agreements, terms, provisions, conditions or limitations contained in the Bass Pro Lease. In case any action or proceeding is brought against City by reason of any claim within the provisions of this section, Bass Pro, upon written notice from City, shall at Bass Pro's expense resist or defend the claim by counsel reasonably acceptable to City.

Indemnification by City

In addition to any agreement to indemnify made by City in the Bass Pro Lease, but subject to the Bass Pro Lease, Bass Pro shall not be liable for, and to the extent permitted by law City shall indemnify and save Bass Pro harmless against and from, any and all liabilities, obligations, damages, penalties, claims, costs, charges and expenses, including reasonable attorneys' fees, which may be imposed upon or incurred by or asserted against Bass Pro by reason of any of the following occurrences during the term of the Bass Pro Lease: (a) any work or thing done in, on or about the Leased Premises or any part thereof by or at the direction of City or any agents, contractors, servants or employees of City; (b) any negligence on the part of City or any agents, contractors, servants of employees of City; (c) any accident, injury or damage to any person or property occurring in, on or about the Leased Premises caused by City or any agents, contractors, servants or employees of City; or (d) any failure on the part of City to perform or comply with any of the covenants, agreements, terms, provisions, conditions or limitations contained in the Bass Pro Lease. In case any action or proceeding is brought against Bass Pro by reason of any such claim within the provisions of this section, City, upon written notice from Bass Pro, shall at City's expense resist or defend the claim by counsel reasonably acceptable to Bass Pro.

Immunity and Release of Council Members Officers and Employees of City

No recourse shall be had for any claim based upon any representation, obligation, covenant or agreement in the Bass Pro Lease contained against any past, present or future council member, officer, employee, director or agent of the City, or, of any successor public corporation thereto, as such, either directly or through the City, any successor public corporation thereto, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such council member, officers, employees, directors or agents as such is hereby expressly waived and released as a condition of and consideration for the execution of the Bass Pro Lease.

APPENDIX D

DEFINITIONS OF WORDS AND TERMS
AND SUMMARIES OF CERTAIN LEGAL DOCUMENTS

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APPENDIX D

DEFINITIONS OF WORDS AND TERMS AND SUMMARIES OF CERTAIN LEGAL DOCUMENTS

In addition to words and terms defined elsewhere in this Official Statement, the following are definitions of certain words and terms used in the Indenture, the Financing Agreement, the Authorizing Ordinance, the Continuing Disclosure Agreement, the Deed of Trust and this Official Statement unless the context clearly otherwise requires.

"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 2006A Bonds and the Series 2006B Bonds.

"Additional Payments" means the Additional Payments described in the Financing Agreement.

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

"Bass Pro Lease" means the Lease with Options dated as of June 16, 2004, as amended by an Amendment to Lease with Options dated December 20, 2004 and a Second Amendment to Lease with Options dated March 6, 2006, all between the City and Bass Pro Outdoor World, L.L.C..

"Bass Pro Lease Payments" means payments received by the City under the Bass Pro Lease.

"Bond" or **"Bonds"** means the Series 2006A Bonds, the Series 2006B 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.

"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 and the TIF Act to be paid out of proceeds of the Bonds with respect to the Project, including the total of all reasonable or necessary expenses incidental to the acquisition, construction, and equipping of the Project, including without limitation; 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 and the TIF 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 2006A Bonds, an amount equal to $3,434,000; (ii) with respect to the Series 2006B Bonds, and amount equal to$1,403,000; and (iii) with respect to any Additional Bonds that are entitled to the benefit of the Debt Service Reserve Fund, the

amount, if any, specified in the Supplemental Bond Indenture authorizing the issuance of said Additional Bonds.

"Deed of Trust" means the means the Future Advance Deed of Trust, Security Agreement, Assignment of Leases and Rents and Fixture Filing related to the Bonds and dated as of the date of the Indenture, granted by the City, as from time to time amended and supplemented in accordance with the provisions thereof.

"Default" means any event or condition which constitutes, or with the giving of any requisite notice or upon the passage of any requisite time period or upon the occurrence of both would constitute, an event of default.

"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).

"Economic Activity Tax Revenues" means fifty percent (50%) of the total additional revenue from sales taxes which are imposed by the City or other taxing districts, and which are generated by economic activities within the applicable Redevelopment Area over the amount of such taxes generated by economic activities within the applicable Redevelopment Area in the calendar year prior to the adoption of the first TIF Ordinance, while tax increment financing remains in effect, but excluding (i) taxes imposed on sales or charges for sleeping rooms paid by transient guests of hotels and motels, licenses, fees or special assessments and (ii) personal property taxes, other than Payments in Lieu of Taxes, all as determined in accordance with the TIF Act.

"Environmental Regulations" means any federal, state or local law, statute, code, ordinance, regulation, requirement or rule defining and governing dangerous, toxic or hazardous pollutants, contaminants, chemicals, materials, or substances.

"Event of Default" means any event of default as defined in the Indenture.

"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.

"Financing Agreement" means the Financing Agreement dated as of March 15, 2006 between the Board and the City as from time to time amended by Supplemental Financing Agreements in accordance with the provisions of the Financing Agreement.

"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.

"**Incremental Tax Revenues**" means, collectively, the Payments in Lieu of Taxes and, subject to annual appropriation as provided herein, the Economic Activity Tax Revenues.

"Loan" means the loan of the proceeds of the Bonds made by the Board to the City pursuant to the Financing Agreement.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, **"Moody's"** shall be deemed to refer to any other nationally recognized securities rating agency designated by 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.

"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.

"Original Purchaser" means Piper Jaffray Inc.

"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.

"**Payments in Lieu of Taxes**" means, when collected by the City, the payments in lieu of taxes attributable to the increase in the current equalized assessed valuation of each taxable lot, block, tract, or parcel of real property in the applicable Redevelopment Area over and above the certified total initial equalized assessed value of each such unit of property in the applicable Redevelopment Area on the date of the adoption of the first TIF Ordinance, all as determined in accordance with the Act.

"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),
- Senior debt obligations of the Federal Home Loan Bank System, and

(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; 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.

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; and

(c) as to certificates of deposit and bankers acceptances: the face amount thereof, plus accrued interest.

"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."

"Record Date" means the 15th day (whether or not a Business Day) of the calendar month next preceding the month in which an interest payment on any Bond is to be made.

"Series 2005C Bonds" means the Infrastructure Facilities Revenue Bonds (City of Independence, Missouri - Crackerneck Creek Center Project), Series 2005C, aggregating the principal amount of $11,325,000, issued on March 9, 2005.

"Series 2006C Bonds" means the Infrastructure Facilities Revenue Bonds (City of Independence, Missouri - Crackerneck Creek Center Project), Series 2006C, aggregating the principal amount of $12,790,000, issued on March 30, 2006.

"Standard & Poor's" means Standard & Poor's Ratings Services, a Division of The McGraw Hill Companies, Inc., New York, New York, 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.

"State TIF Revenues" means certain incremental sales taxes of the State, to the extent received by the City after annual appropriation by the State.

"TIF Act" means the Real Property Tax Increment Allocation Redevelopment Act, Sections 99.800-99.865 of the Revised Statutes of Missouri, as amended.

"TIF Ordinance" means the Ordinance passed by the City pursuant to which the City has commenced the 23 year period contained in the TIF Act.

"Transaction Documents" means the Indenture, the Bonds, the Financing Agreement, the Official Statement relating to the Bonds, the Continuing Disclosure Agreement, the Deed of Trust, 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, the Deed of Trust 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

The following is a summary of certain provisions contained in the Indenture, as amended and supplemented by the Indenture (the "Indenture"). The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Indenture for a complete recital of the terms thereof.

Trust Estate

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), (2) the Deed of Trust, and (3) 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 from time to time held by the Trustee under the terms of the Indenture; and

(c) All moneys or property held or realized by the Trustee under the Deed of Trust; and

(d) 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 hereby 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

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 2006A Bonds and the Series 2006B 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 the Financing Agreement, for any purpose authorized under the Act.

Before any Additional Bonds are issued under the provisions of the Indenture, 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 2006A Bonds and the Series 2006B 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 (subject to the provisions of the Indenture), 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, such Additional Bonds shall be on a parity with and shall be entitled to the same benefit and security of the Indenture as the Series 2006A Bonds, the Series 2006B Bonds and any other Additional Bonds, and except that the Board may issue Additional Bonds that are not entitled to the benefit and security of any reserve fund.

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 and further approving such Supplemental Indenture and the issuance and sale of the Additional Bonds.

(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, containing the annual appropriation covenant of the City in substantially the same form as contained the Financing Agreement.

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

(h) An Opinion of Bond Counsel to the effect that all requirements for the issuance of such Additional Bonds have been met.

(i) 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.

When the documents specified above have been filed with the Trustee, and when such Additional Bonds have been executed and authenticated as required by the Indenture, the Trustee shall deliver such Additional Bonds to or upon the order of the purchasers thereof, but only upon payment to the Trustee of the purchase price of such Additional Bonds. The proceeds of the sale of such Additional Bonds, including accrued interest and premium thereon, if any, shall be immediately paid over to the Trustee and shall be deposited and applied by the Trustee as provided in the Indenture and in the Supplemental Indenture authorizing the issuance of such Additional Bonds.

Except as provided in the 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

There are hereby created and ordered 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 Project Fund" (the "Project Fund"), and within such fund separate accounts for each Series of Bonds, initially a "Series 2006A Project Account" and a "Series 2006B 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 2006A Costs of Issuance Account" and a "Series 2006B 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 capitalized interest on such Series, if any, on each Series of Bonds initially a "Series 2006A Capitalized Interest Account" and a "Series 2006B Capitalized Interest Account.".

(d) "Missouri Development Finance Board–City of Independence, Missouri - Infrastructure Facilities Debt Service Reserve Fund" (the "Debt Service Reserve Fund"), and within such fund separate accounts for each Series of Bonds, initially a "Series 2006A Debt Service Reserve Account" and a "Series 2006B Debt Service Reserve Account."

Project Fund

Moneys in the Project Fund shall be used solely for the purpose of paying the Costs of the Project relating to the applicable Project with such changes, or amendment or substitutions as 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 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 is authorized and directed to withdraw sufficient funds from the Debt Service Fund to pay principal of, redemption premium, if any, and interest on the Bonds as the same become due and payable at maturity or upon redemption and to make said funds so withdrawn available to the Trustee and any Paying Agent for the purpose of paying said principal, redemption premium, if any, and interest.

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

Except as provided in the Indenture for earnings on moneys prior to the Completion Date, the moneys in the respective series accounts of 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 2006A Bonds and the Series 2006B Bonds to the extent of any deficiency in the applicable series account of the Debt Service Fund for such purposes. The Trustee may disburse and expend moneys from the accounts of the Debt Service Reserve Fund for such purpose whether or not the amount in such accounts of the Debt Service Reserve Fund at that time equals the Debt Service Reserve Fund Requirement with respect to the applicable series of Bonds. 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 applicable account of the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement with respect to the applicable series of Bonds, and the Trustee shall and 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, subject to the limitations on such funding contained in the Financing Agreement.

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 the Indenture), and continuance of such default or breach for a period of **60** days after there has been given to the Board and the City by the Trustee or to the Board and 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 the Indenture, the Board hereby 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 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 hereunder 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 or 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 the Indenture, 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 Subsection (a).

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 are 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 hereunder 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, as set forth in the Indenture, 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 in 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 hereunder 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 hereunder. 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 the Indenture 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 (2) an Opinion of Bond Counsel addressed and delivered to the Trustee and the Board 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.

Satisfaction and Discharge of Indenture

This 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 pursuant to the Indenture) 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 Counsel to the effect that all conditions precedent in the Indenture to the satisfaction and discharge of the Indenture have been complied with; and

(d) 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 the Indenture, 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 as provided in the Indenture 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.

Special Allocation Fund

The Ordinance of the City authorizing the execution of the 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 Loans related to the Series 2005C Bonds, the Series 2006A Bonds, the Series 2006B Bonds or the Series 2006C Bonds (the "Loans") 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 Loans; 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 Loans and loans related to other bonds issued for the Project. 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 Loans, (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, on a subordinate basis, the rentals paid to the City pursuant to the Bass Pro Lease Agreement (if any) to secure the Series 2006C Loan on a parity basis with other Bonds on a parity with the Series 2005C Bonds.

Administration of 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 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 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 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 Special Allocation Fund. All interest earnings on moneys in the Special Allocation Fund shall be credited to and deposited in the Special Allocation Fund.

(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 Special Allocation Fund, to the extent available, an aggregate amount equal to the Loan Payments due under the Series 2005C and Series

2006C Financing Agreement or any other Financing Agreement relating to Additional Bonds secured on a parity with the Series 2005C Bonds and the Series 2006C Bonds. In the event such moneys shall be insufficient to make such Loan Payments, such deposits shall be made pro rata into the various accounts with the Debt Service Fund for the Series 2005C Bonds, the Series 2006C Bonds and any Additional Bonds issued on a parity with the Series 2005C Bonds and the Series 2006C 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 and the Series 2006C Bonds) is less than the Debt Service Reserve Requirement for the Series 2005C Bonds or the Series 2006C Bonds (as defined in the Indenture relating to the Series 2005C Bonds and the Series 2006C Bonds) or any Additional Bonds (as defined in the Indenture relating to the Series 2005C Bonds and the Series 2006C Bonds) issued on a parity with the Series 2005C Bonds and the Series 2006C Bonds, the City shall transfer to the Trustee from the Special Allocation Fund, to the extent available, an aggregate amount equal to the Additional Payments necessary to restore the accounts in 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, the Series 2006C Bonds and any Additional Bonds issued on a parity with the Series 2005C Bonds and the Series 2006C Bonds.

(c) Moneys remaining in the Special Allocation Fund, after making the payments described above, 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 and the Series 2006C 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 and the Series 2006C 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 or the Series 2006C 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, and (iii) the Bass Pro Lease payments (subject to the senior pledge of such lease payments to the Series 2006A and Series 2006B Loan), 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 and Series 2006C Financing Agreement relating to regularly scheduled payments of principal and interest on the Series 2005C Bonds, the Series 2006C Bonds and any Additional Bonds issued on a parity with the Series 2005C Bonds and Series 2006C Bonds.

(iii) for the purpose of prepaying any Loan Payments or Additional Payments due under the Series 2005C and Series 2006C Financing Agreement or any other Financing Agreement relating to Additional Bonds secured on a parity with the Series 2005C Bonds and Series 2006C Bonds; or

(d) Moneys remaining in the Special Allocation Fund, after making the payments described above shall be expended in the following order of priority:

(i) 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 Special Allocation Fund, to the extent available, an aggregate amount equal to the Loan Payments due under the Series 2006A and Series 2006B Financing Agreement or any other Financing Agreement relating to Additional Bonds (as defined in the Indenture relating to the Series 2006A Bonds and the Series 2006B Bonds) secured on a parity with the Series 2006A Bonds and Series 2006B Bonds. In the event such moneys shall be insufficient to make such Loan Payments, such deposits shall be made pro

rata into the various accounts with the Debt Service Fund for the Series 2006A Bonds, the Series 2006B Bonds and any Additional Bonds issued on a parity with the Series 2006A Bonds and the Series 2006B Bonds.

(ii) 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 2006A Bonds and the Series 2006B Bonds) is less than the Debt Service Reserve Requirement for the Series 2006A Bonds or the Series 2006B Bonds (as defined in the Indenture relating to the Series 2006A Bonds and the Series 2006B Bonds) or any Additional Bonds (as defined in the Indenture relating to the Series 2006A Bonds and the Series 2006B Bonds) issued on a parity with the Series 2006A Bonds and the Series 2006B Bonds, the City shall transfer to the Trustee from the Special Allocation Fund, to the extent available, an aggregate amount equal to the Additional Payments necessary to restore the accounts in 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 2006A Bonds, the Series 2006B Bonds and any Additional Bonds issued on a parity with the Series 2006A Bonds and the Series 2006B Bonds.

(e) Moneys remaining in the Special Allocation Fund, after making the payments described above shall be expended in the following order of priority:

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

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

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

* * *

SUMMARY OF THE FINANCING AGREEMENT

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

Amount and Source of the Loan; Issuance of Bonds

The Board agrees to lend to the City, upon the terms and conditions in the Financing Agreement and in the Indenture specified, the net proceeds received by the Board from the sale of the Series 2006A Bonds and the Series 2006B Bonds (the "Loan"). In order to provide funds to make the Loan and finance the Costs of the Project, the Board agrees that it will issue, sell and deliver the Series 2006A Bonds and the Series 2006B Bonds to the Original Purchaser. The proceeds of the sale of the Series 2006A Bonds and the Series 2006B Bonds shall be paid over to the Trustee for the account of the Board and shall be administered, disbursed and applied for the payment of the Costs of the Project and other purposes upon the terms and in the manner as provided in the Indenture and in the Financing Agreement.

Loan Payments

Subject to the limitations of 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, 2006, an amount which is not less than the interest to become due on the next interest payment date on the Series 2006A Bonds, 2006B Bonds or any Additional 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 2006A Bonds, the Series 2006B Bonds and any Additional 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.

(c) *Debt Service Fund - Redemption:* On or before 10:00 A.M. on or before the Business Day preceding the date required by the Indenture or the Indenture, the amount of any Net Proceeds or other moneys received which is intended or required to redeem Series 2006A Bonds or the Series 2006B Bonds then Outstanding if the City exercises its right to redeem Series 2006A Bonds or the Series 2006B Bonds under any provision of the Indenture or if any Series 2006A Bonds or Series 2006B Bonds are required to be redeemed (other than pursuant to mandatory sinking fund redemption provisions) under any provision of the Indenture.

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 the limitations of the Financing Agreement, 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 Indenture 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 Indenture for which the Trustee and other persons are entitled to repayment or reimbursement;

(b) 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 hereunder that the City do not perform, or incurred in the defense of any action or proceeding with respect to the Project, the Indenture 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 Indenture and that the City is not otherwise required to pay under the Indenture;

(c) to the Trustee, upon written demand of the Trustee the amount required by the Indenture necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Fund Requirement. Any Supplemental Financing Agreement shall provide for similar deposits into the Debt Service Reserve Fund of amounts sufficient to increase, if necessary, the deposits to such fund as required by the Indenture.

(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 Indenture and the Indenture, which are not otherwise to be paid by the City under the Indenture or the Indenture;

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

(f) 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 two percent (2%) during the period such Additional Payments remain unpaid.

Annual Appropriations

Except as provided in the Financing Agreement, the City intends, on or before the last day of each Fiscal Year, to budget and appropriate, specifically with respect to the Indenture, 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 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 Indenture 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 Indenture 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 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

Except as provided in the following paragraph, 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 limitations or requirements concerning the creation of indebtedness by the City, nor shall anything contained in the Financing Agreement 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 Indenture nor the issuance of the Series 2006A Bonds and the Series 2006B 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 in the Financing Agreement shall be construed to limit the rights of the owners of the Series 2006A Bonds and the Series 2006B 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

Except as provided in the Financing Agreement, the City's obligations to pay the Loan Payments and Additional Payments described in the Financing Agreement and any amounts required to be paid under the Financing Agreement shall be limited, special obligations of the City payable solely from, and secured as to the payment of principal and interest by, a pledge of, subject to annual appropriation by the City as provided in the Financing Agreement, all general fund revenues of the City and from amounts pledged to secure repayment of the Loan 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), which pledge shall be subordinate to the pledge of such revenues securing the Series 2005C Bonds, the Series 2006C Bonds and bonds issued on a parity therewith, and the rentals paid to the City pursuant to the Bass Pro Lease Agreement (if any) to secure the Loan relating to the Series 2006A Bonds and the Series 2006B Bonds.

Deed of Trust

To secure the payment by the City of Loan Payments and Additional Payments, and compliance by the City with all the terms, provisions and conditions of the Financing Agreement, the City has executed and delivered the Deed of Trust to the mortgage trustee, for the benefit of the Board and the Trustee. The City agrees and consents in the Financing Agreement to such assignments in the manner and to the extent set forth in the Indenture and to the other assignments therein made by the Board.

Subordinate Lien on Incremental Tax Revenues

To secure the payment by the City of Loan Payments and Additional Payments, and compliance by the City with all the terms, provisions and conditions of the Financing Agreement, the City has pledged in the Authorizing Ordinance amounts on deposit in the Special Allocation Fund described therein, subject to the prior pledge of such amounts to the payment of the Series 2005C Bonds, the Series 2006C Bonds and bonds issued on a parity with such bonds.

Information Provided to the Board and the Trustee

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 Board and the Trustee any and all information as the Board or the Trustee may reasonably request with respect to the performance by the City of its covenants in the Indenture.

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 and the City; (2) the Board and 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 Indenture if the maturity of any of the Additional Bonds would otherwise occur after the expiration of the term of the Indenture; and (3) the Board and 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.

Events of Default Defined

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 Indenture or the Indenture, other than as referred to in the preceding subparagraphs (a) and (b), 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 Indenture 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) below:

(a) By written notice to the City declare the outstanding principal of the Loan due in such Fiscal Year 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 Indenture 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 Indenture 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, as provided in the Indenture.

The provisions of this section are subject to the limitation that the annulment of a declaration that the 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 Indenture 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 in the Financing Agreement 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 Indenture 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. In order to entitle the Trustee to exercise any remedy reserved to it in the Financing Agreement, it shall not be necessary to give any notice, other than such notice as may be expressly required in the Financing Agreement.

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 hereunder 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 or 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 Indenture, reserving only the Unassigned Board's Rights. The Trustee shall have the exclusive right to exercise such rights and remedies conferred upon or reserved to the Board by the Indenture in the same manner and to the same extent, but under the limitations and conditions imposed thereby and hereby. 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 and 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 Indenture 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 and 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 in the Financing Agreement; or

(f) to cure any ambiguity, to correct or supplement any provision in the Financing Agreement which may be inconsistent with any other provision in the Financing Agreement or to make any other provisions, 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 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 and 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 Indenture or of modifying in any manner the rights of the Trustee and the owners of the Bonds under the Indenture; 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 Indenture of compliance with certain provisions of the Indenture or certain defaults hereunder 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 Indenture 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 hereunder. 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 DEED OF TRUST

The following is a brief summary of the Deed of Trust. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Deed of Trust, a copy of which is on file with the Trustee. As used in this summary of the Deed of Trust, "Obligation" is the principal amount of the bonds secured by the Deed of Trust, "Grantor" is the City, "Trustee" is the mortgage trustee named in the Deed of Trust and "Beneficiary" is the Board.

Grant

The Grantor under the Deed of Trust grants, bargains and sells, mortgages, warrants, conveys and confirms, assigns, transfers and sets over to the Trustee the Mortgaged Property together with (1) all buildings, improvements and structures at any time, now or hereafter, erected, situated or placed thereon; (2) all rights, privileges, easements, rights of way, franchises, tenements, hereditaments, appendages and appurtenances thereunto belonging or in anywise appertaining; (3) all right, title, interest and estate of Grantor in and to streets, roads, ways, sidewalks, curbs, alleys and areas adjoining said real estate and portions thereof, private or public, and whether vacated by law or ordinance (conditionally or otherwise); (4) all rents, revenues, royalties, income, issues and profits, which are specifically assigned, transferred and pledged primarily and on a parity with said real estate; (5) all fixtures and personal property now or at any time hereafter annexed, affixed or attached to said real estate and/or the buildings, improvements or structures thereon and all replacements, additions and substitutions thereof or thereto, including (but not limited to) all apparatus, appliances, machinery, equipment and articles used to supply or provide, or in connection with, heat, gas, air-conditioning, plumbing, water, lighting, power, elevator, sewerage, cleaning, refrigeration, cooling, ventilation and sprinkler systems, all water heaters, ranges, stoves, dishwashers and disposals, all window shades, drapes and drapery equipment and apparatus, all carpeting, tile and floor coverings, all fire prevention and extinguishing apparatus, all security and access control apparatus, and all trees, plants and landscaping; (6) all other personal property, whether now owned or hereafter acquired by Grantor, and used or intended to be used in the possession, occupation or enjoyment thereof, and all replacements, additions and substitutions thereof and thereto, including (but not limited to) all furniture, furnishings and equipment, all appliances, all shelving and storage apparatus, all construction goods and materials whether or not the same have been incorporated into the buildings or improvements thereon, and all tools, supplies and equipment used in connection with construction, repair, maintenance, janitorial or groundskeeping services thereon or therefor; (7) all existing and hereafter created or acquired accounts, contract rights and general intangibles arising from or relating in any manner to the foregoing or the development or operation thereof; (8) all books, records, reports, tests, surveys, plans, specifications, permits, licenses and documents of any kind or nature relating to the foregoing or the development or operation thereof; and (9) all products and proceeds of any of the foregoing, including, without limitation, insurance proceeds, subject to the applicable Permitted Encumbrances as defined in the Deed of Trust provided that the Mortgaged Property shall not include any inventory, furniture, equipment or other personal property of Bass Pro Outdoor World, L.L.C.

Rent Assignment.

The Deed of Trust is intended to create an absolute and present assignment to the Beneficiary of the items of Mortgaged Property constituting rents, revenues, royalties, income, issues and profits, described therein and not merely the passing of a security interest; provided, that so long as no event of default exists under the Deed of Trust, Grantor shall have the right and license to collect said rents, revenues royalties, income, issues and profits as the same shall accrue.

Security Agreement

The Deed of Trust is intended to be a security agreement for any of the items specified as part of the Mortgaged Property described therein which, under applicable law, may be subject to a security interest, and

under the Deed of Trust the Grantor grants to the Beneficiary a security interest in said items, whether now owned or hereafter acquired, and including all products and proceeds of said items.

Upon the occurrence of an event of default as provided under the Deed of Trust, the Beneficiary shall have the remedies of a secured party under applicable law and, at the Beneficiary's option, may also invoke the remedies as otherwise provided in the Deed of Trust. In exercising any of said remedies, the Beneficiary may proceed against the items of real property and any items of personal property specified as part of the Mortgaged Property described in the Deed of Trust separately or together and in any order whatsoever, without in any way affecting the availability of Beneficiary's remedies under applicable law or of the remedies otherwise provided in the Deed of Trust.

Events of Default; Remedies

If an event of default as specifically set forth in the Deed of Trust shall occur, or in the event any one or more of the following events shall occur (an "event of default"): (a) if default shall be made in the payment of any of the Obligation secured by the Deed of Trust, or any interest thereon, within fifteen days of the date as and when the same shall become due and payable, whether by reason of demand, acceleration or otherwise; (b) if default shall be made by Grantor in the due performance or observance of any covenant, agreement or condition contained in the Deed of Trust or required to be performed or observed by Grantor and such default shall continue for a period of thirty (30) days after the date of the mailing of a written notice addressed to Grantor at the address set forth in the Deed of Trust, or to such other address as may be designated by Grantor in written notice delivered to Beneficiary during which time such default is neither cured by Grantor nor waived in writing by Beneficiary, provided that, if the failure stated in the notice cannot be corrected within said 30-day period, Beneficiary may consent in writing to an extension of such time prior to its expiration if corrective action is instituted by Grantor within the 30-day period and diligently pursued to completion; (c) if any representation or warranty of Grantor contained herein shall prove to be in any material respect incorrect or if there shall be any breach of any such representation or warranty; (d) if the Mortgaged Property or any portion thereof or ownership interest therein is sold, transferred, assigned or in any manner conveyed without the prior written consent of Beneficiary; (e) if a default or event of default shall occur under or within the meaning of any other deed of trust or mortgage covering any of the Mortgaged Property; or (f) if any event of default shall occur under or within the meaning of the Indenture or under any agreement, document or instrument (including any guaranty) evidencing or securing any of the Obligation secured hereby; (g) if pursuant to § 443.055 R.S.Mo., as amended, Grantor shall notify Beneficiary of Grantor's election to terminate the operation of the Deed of Trust as security for future advances or future obligations;

In such event, but in accordance with the Indenture and Financing Agreement, all of the unpaid Obligation that is then outstanding, and all accrued interest thereon, shall be due and payable immediately in the event of such acceleration and: (1) upon demand of Trustee or Beneficiary, Grantor shall forthwith surrender to Beneficiary the actual possession of all of the Mortgaged Property and it shall be lawful (whether or not Grantor has so surrendered possession) for Beneficiary, either personally or by agents or attorneys, forthwith to enter into or upon the Mortgaged Property and to exclude Grantor, the agents and servants of Grantor, and all parties claiming by, through or under Grantor, wholly therefrom, and Beneficiary shall thereupon be solely and exclusively entitled to possession of said Mortgaged Property and every part thereof, and to use, operate, manage and control the same, either personally or by managers, agents, servants or attorneys, to the fullest extent authorized by law; and upon every such entry, the Beneficiary may, from time to time, at the expense of Grantor, make all necessary and proper repairs and replacements to the Mortgaged Property as Beneficiary in its discretion sees fit, and any amounts so expended shall be due on demand, bear interest at the post-maturity rate set forth in the Financing Agreement and shall be secured hereby; (2) Beneficiary may make demand for and collect and receive all rents and income from Mortgaged Property, including rents and income accrued but unpaid prior to the date of such default, and the receipt of Beneficiary therefor shall be binding on Grantor with respect to the amount so paid. All sums of money received by Beneficiary from rents and income, after deducting therefrom the reasonable charges and expenses paid or incurred in connection with the collection and disbursement thereof, shall be applied to the payment of the Obligation secured hereby in such order and

manner as specified in the Indenture. Any lessee of the Mortgaged Property, or any part thereof, shall be fully protected in relying and acting upon the written statement of Beneficiary to the effect that the Deed of Trust is in default and that Beneficiary is entitled to receive the rents and income hereunder, notwithstanding any notice to or knowledge of said lessee to the contrary. Such lessee shall have no duty to determine that any sum paid to Beneficiary under the Deed of Trust is properly applied by Beneficiary; (3) Trustee, at the request of Beneficiary, shall proceed to sell, either by himself or by agent or attorney, the Mortgaged Property or any part(s) thereof at public venue or outcry at the customary place to the highest bidder for cash after first giving notice as required by the statutes of the State of Missouri and upon such sale Trustee shall receive the proceeds of such sale and shall execute and deliver deed or deeds or other instruments of conveyance, assignment and transfer to the property sold, to the purchaser or purchasers thereof; and (4) Trustee and/or Beneficiary may proceed by suit or suits at law or in equity to enforce the Obligation secured hereby and/or to foreclose this Deed of Trust and in such event Trustee shall be entitled to a reasonable fee for his services and Trustee and Beneficiary shall be entitled to a reasonable fee for the services of their attorneys and agents, and for all expenses, costs and outlays. Upon or at any time after the filing of any suit to foreclose the lien hereof, Beneficiary shall be entitled as a matter of right to the appointment of a receiver of the Mortgaged Property, either before or after sale, without notice and without regard to the solvency or insolvency of Grantor at the time of the application for such receiver, and without regard to the solvency or insolvency of Grantor at the time of the application for such receiver, and without regard to the then value of the Mortgaged Property, and Trustee, or Beneficiary, may be appointed as such receiver. Such receiver shall have full power to collect the rents, issues and profits from the Mortgaged Property and all other powers necessary or incidental for the protection, possession, control, management and operation of the Mortgaged Property.

Subject to Bass Pro Lease.

The lien of the Deed of Trust shall be subject to the Bass Pro Lease as provided in the Deed of Trust.

SUMMARY OF THE CONTINUING DISCLOSURE AGREEMENT

The following is a summary of certain provisions contained in the Continuing Disclosure Agreement. 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 the Project, and (C) 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.

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APPENDIX E

FORM OF OPINION OF BOND COUNSEL

Missouri Development Finance Board
Jefferson City, Missouri

Piper Jaffray & Co.
Leawood, Kansas

City of Independence, Missouri
Independence, Missouri

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

Re: $34,340,000 Missouri Development Finance Board Taxable Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Crackerneck Creek Project) Series 2006A; $14,030,000 Missouri Development Finance Board Taxable Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Crackerneck Creek Project) Series 2006B

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 (collectively, 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 15, 2006 (the "Indenture"), by and 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 15, 2006 (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 (b) the due authorization, execution and delivery of the Financing 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; and

(ii) The Financing 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, redemption premium, if any, 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 stated interest on the Bonds is **INCLUDED** in gross income as interest for federal income tax purposes.

6. The stated interest on the Bonds is exempt from income taxation by the State of Missouri. We express no opinion as to whether original issue discount on any Bond is exempt from Missouri income tax.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Indenture and the Financing 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,

APPENDIX F

TAX INCREMENT FINANCING IN MISSOURI

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, 2003 and 2005. 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). See the caption **"BONDOWNERS' RISKS – TIF Act Legal Challenge."**

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.

Assessments and Collections of Ad Valorem Taxes

The City and the Redevelopment 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 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 **on subordinate basis** to the payment 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 the calendar year prior to the adoption of tax increment financing for individual redevelopment project areas within the Redevelopment Area, 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.

Tax Increment Financing Litigation

Litigation regarding the constitutionality and application of the TIF Act is currently pending in various Missouri circuit courts. Circuit courts in Missouri are trial courts and decisions in those courts are not binding on other Missouri courts. Circuit court decisions, whether favorable or unfavorable with respect to the constitutionality and application of the TIF Act, may be appealed to a Missouri Court of Appeals and, ultimately, the Missouri Supreme Court. If the plaintiffs are successful in one or more of the currently pending cases, the court's decision may interpret the requirements of the TIF Act in a manner adverse to the

establishment of tax increment financing in the Redevelopment Area. It is not possible to predict whether an adverse holding in any current or future litigation would prompt a challenge to the adoption of tax increment financing in the Redevelopment Area or how that decision would be applied by a court with respect to the Crackerneck Creek Redevelopment Area. If current or future litigation challenging all or any part of the TIF Act were to be applied to the adoption of tax increment financing in the Crackerneck Creek Redevelopment Area, Economic Activity Taxes and Payments in Lieu of Taxes may not be available to pay principal of and interest on the Bonds and the enforceability of the Indenture could be adversely affected. The Board and City cannot predict or guarantee the outcome of any currently pending or future litigation challenging the constitutionality or the application of the TIF Act or the application by a court of a potential holding in any case to other tax increment projects.

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