

**THREE NEW ISSUES
(Book Entry Only)**

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

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

**MISSOURI DEVELOPMENT FINANCE BOARD
Infrastructure Facilities Revenue Bonds**

\$5,485,000	\$2,770,000	\$4,980,000
(City of Independence, Missouri - Parks Facilities Project) Series 2006D	(City of Independence, Missouri - Street Improvements Project) Series 2006E	(City of Independence, Missouri - Centerpoint Project) Series 2006F

Dated: All Series December 1, 2006

Due: See Inside Cover Page

All three Series of the Bonds (collectively, the "Bonds") are issuable only as fully registered bonds, without coupons, and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interests in Bonds purchased. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the bondowners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (herein defined) of the Bonds. Principal of and semiannual interest on the Bonds will be paid from moneys available therefor under the applicable Indenture (herein defined) by Commerce Bank, N.A., Kansas City, Missouri, as Trustee and Paying Agent. So long as DTC or its nominee, Cede & Co., is the bondowner, such payments will be made directly to such bondowner. DTC is expected, in turn, to remit such principal and interest to the DTC Participants (herein defined) for subsequent disbursement to the Beneficial Owners. Principal of the Bonds will be due as shown on the inside cover page. Interest on the Bonds will be payable on each April 1 and October 1, beginning on April 1, 2007.

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

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

The Bonds will be payable solely from, and will be secured by, (i) an assignment and a pledge of Loan Payments made by the City, pursuant to the applicable Financing Agreement between the Missouri Development Finance Board (the "Board") and the City of Independence, Missouri (the "City") and (ii) certain other funds held by the Trustee under the applicable Indenture. The Series 2006F Bonds will also be payable from certain moneys expected to be deposited in the Special Allocation Fund established for each of these projects as more fully described herein. See **"SECURITY AND SOURCES OF PAYMENTS FOR THE BONDS."**

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

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The Bonds are offered when, as and if issued by the Board and accepted by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice and subject to the approval of their validity by Gilmore & Bell, P.C., Kansas City, Missouri, Bond Counsel, as described herein. Certain legal matters will be passed on for the City by Allen Garner, City Counselor, Independence, Missouri, and for the Board by Gilmore & Bell, P.C., Kansas City, Missouri. It is expected that the Bonds will be available for delivery through DTC in New York, New York on or about December 12, 2006.

PiperJaffray®

The date of this Official Statement is December 4, 2006

11/11/06

MISSOURI DEVELOPMENT FINANCE BOARD

<p>\$5,485,000 Infrastructure Facilities Revenue Bonds (City of Independence, Missouri – Parks Facilities Project) Series 2006D</p> <p><u>Serial Bonds</u></p> <table> <tr> <th><u>Due</u> <u>April 1</u></th><th><u>Principal</u> <u>Amount</u></th><th><u>Interest</u> <u>Rate</u></th><th><u>Yield</u></th></tr> <tr> <td>2009</td><td>\$1,010,000</td><td>4.25%</td><td>3.70%</td></tr> <tr> <td>2010</td><td>1,050,000</td><td>4.25</td><td>3.73</td></tr> <tr> <td>2011</td><td>1,095,000</td><td>4.25</td><td>3.76</td></tr> <tr> <td>2012</td><td>1,140,000</td><td>4.25</td><td>3.79</td></tr> <tr> <td>2013</td><td>1,190,000</td><td>4.25</td><td>3.82</td></tr> </table>				<u>Due</u> <u>April 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	2009	\$1,010,000	4.25%	3.70%	2010	1,050,000	4.25	3.73	2011	1,095,000	4.25	3.76	2012	1,140,000	4.25	3.79	2013	1,190,000	4.25	3.82
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<p>\$4,980,000* Infrastructure Facilities Revenue Bonds (City of Independence, Missouri - Centerpoint Project) Series 2006F</p> <p><u>Serial Bonds</u></p> <table> <tr> <th><u>Due</u> <u>April 1</u></th><th><u>Principal</u> <u>Amount</u></th><th><u>Interest</u> <u>Rate</u></th><th><u>Yield</u></th></tr> <tr> <td>2009</td><td>\$120,000</td><td>4.25%</td><td>3.70%</td></tr> <tr> <td>2010</td><td>130,000</td><td>4.25</td><td>3.73</td></tr> <tr> <td>2011</td><td>135,000</td><td>4.25</td><td>3.76</td></tr> <tr> <td>2012</td><td>150,000</td><td>4.25</td><td>3.79</td></tr> <tr> <td>2013</td><td>160,000</td><td>4.25</td><td>3.82</td></tr> <tr> <td>2014</td><td>175,000</td><td>4.25</td><td>3.90</td></tr> <tr> <td>2015</td><td>185,000</td><td>4.25</td><td>3.94</td></tr> <tr> <td>2016</td><td>205,000</td><td>4.25</td><td>3.98</td></tr> </table> <p><u>Term Bonds</u></p> <p>\$1,220,000 Term Bonds due April 1, 2021, Interest Rate: 4.00%, Yield: 4.26%</p> <p>\$2,500,000 Term Bonds due April 1, 2028, Interest Rate: 4.125%, Yield: 4.40%</p>				<u>Due</u> <u>April 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	2009	\$120,000	4.25%	3.70%	2010	130,000	4.25	3.73	2011	135,000	4.25	3.76	2012	150,000	4.25	3.79	2013	160,000	4.25	3.82	2014	175,000	4.25	3.90	2015	185,000	4.25	3.94	2016	205,000	4.25	3.98
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REGARDING USE OF THIS OFFICIAL STATEMENT

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

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

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

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

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

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

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OFFICIAL STATEMENT

MISSOURI DEVELOPMENT FINANCE BOARD

Infrastructure Facilities Revenue Bonds

\$5,485,000 (City of Independence, Missouri - Parks Facilities Project) Series 2006D	\$2,770,000 (City of Independence, Missouri - Street Improvements Project) Series 2006E	\$4,980,000 (City of Independence, Missouri - Centerpoint Project) Series 2006F
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INTRODUCTORY STATEMENT

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

Purpose of the Official Statement

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

The Board

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

The City

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

The Projects

The proceeds of each Series of the Bonds will be loaned to the City pursuant to three separate Financing Agreements, each dated as of December 1, 2006 (separately, a “Financing Agreement” or by Series, the Series 2006D Financing Agreement, the Series 2006E Financing Agreement or the Series 2006F Financing Agreement) between the Board and the City to finance a portion of the costs of the Parks Facilities Project, the Street Improvements Project and the Centerpoint Project (collectively, the “Projects”) each as described herein, to fund a Debt Service Reserve Fund for the Series 2006F Bonds and to pay the costs of issuing the Bonds, all as more fully described herein under the caption “**THE PROJECTS.**” The Centerpoint Project is a Tax

Increment Financing Project approved by the City pursuant to the Tax Increment Financing Act (the "TIF Act").

The Bonds

The Bonds are being issued pursuant to the Act and three separate Bond Trust Indentures, each dated as of December 1, 2006 (each of said Bond Trust Indentures, together with all amendments and supplements thereto, being referred to herein as an "Indenture," and by Series the Series 2006D Indenture, the Series 2006E Indenture and the Series 2006F Indenture), all 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 applicable Financing Agreement, in consideration of payments by the City, which will be sufficient to pay the principal of, premium, if any, and the interest on the Bonds, all as more fully described in the Financing Agreement and the Indenture relating to each Series of Bonds. A description of the Bonds is contained in this Official Statement under **"THE BONDS."** All references to the Bonds are qualified in their entirety by the definitive forms thereof and the provisions with respect thereto included in the applicable Indenture and the applicable Financing Agreement.

Additional Bonds

The Indenture relating to the Series 2006F Bonds provides for the future issuance of additional bonds ("Additional Bonds") which, if issued, would rank on a parity with the Series 2006F Bonds and any other bonds then outstanding under such Indenture issued on a parity with such Series 2006F Bonds. See **"SECURITY AND SOURCES OF PAYMENTS FOR THE BONDS – Additional Bonds"** and **"SUMMARY OF THE INDENTURE – Additional Bonds"** in *Appendix C* hereto.

The City expects to issue approximately \$40,422,000 principal amount of Additional Bonds (not including an additional amount necessary to pay capitalized interest, costs of issuance and necessary reserves) secured on a parity with the Series 2006F Bonds to finance other redevelopment project costs relating to the Centerpoint Project. The proposed Additional Bonds will be secured on a parity with the Series 2006F Bonds (except with respect to the Series 2006F Account of the Debt Service Reserve Fund which shall only be pledged to secure the Series 2006F Bonds) and therefore will share an equal claim on the Payment in Lieu of Taxes (also called PILOTS) and Economic Activity Taxes (also called EATS) derived by the City with respect to the Centerpoint Project, all as more fully described herein.

Security for the Bonds

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

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.

Sales Tax for Parks

On August 6, 2002, City voters approved a 1/8th-cent sales tax for park improvements and 1/8th-cent sales tax for park maintenance. Collection of both taxes began on January 1, 2004. Collection of the sales tax for park improvements will end on December 31, 2012. The Series 2006D Bonds are being issued to finance an athletic complex and community park, and the City intends to satisfy its obligation to make Loan Payments with respect to the Series 2006D Bonds out of revenues generated from the sales tax for park improvements, subject to appropriation of such revenues on an annual basis by the City Council. See **“SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Sales Tax for Parks”** herein.

Sales Tax for Streets

On August 6, 2002, the voters of the City extended the 3/8th-cent sales tax for street maintenance and improvements for an additional five years. This new reauthorization started on January 1, 2004 and will continue through December 31, 2008. The Series 2006E Bonds are being issued to finance street improvements, and the City intends to satisfy its obligation to make Loan Payments with respect to the Series 2006E Bonds out of revenues generated from the sales tax for street maintenance and improvements, subject to appropriation of such revenues on an annual basis by the City Council. See **“SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Sales Tax for Streets”** herein.

Tax Increment Financing for Centerpoint Project

As more fully described herein, the City’s obligation to make Loan Payments with respect to the Series 2006F Bonds under the Series 2006F Financing Agreement will be secured by Incremental Tax Revenues, a portion of which described herein as the Payment in Lieu of Taxes, are not subject to annual appropriation. The portion described herein as the Economic Activity Taxes are subject to annual appropriation by the City. Tax Increment Financing has been approved with respect to the Centerpoint Project. The redevelopment agreement related to the Centerpoint Project (the “Redevelopment Agreement”) provides for disbursements of Incremental Tax Revenues for purposes other than making payments related to the Series 2006F Bonds and Additional Bonds issued on a parity therewith. See **“THE PROJECTS – Centerpoint Project”** herein.

Prospective investors should not rely upon the collection of Incremental Tax Revenues (PILOTS and EATS) as a source of repayment of the Series 2006F Bonds, but should instead evaluate the likelihood that the City will continue to appropriate moneys sufficient to make Loan Payments under the Series 2006F Financing Agreement. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Tax Increment Financing for Centerpoint Project” herein.

Bondowners’ Risks

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

Continuing Disclosure

The City will execute a Continuing Disclosure Agreement for the benefit of the owners of the Bonds to provide certain annual financial information and notices of the occurrence of certain material events. The

information will include a description of the Incremental Tax Revenues deposited into the Centerpoint Project Special Allocation Fund. A summary of the Continuing Disclosure Agreement is attached to this Official Statement in *Appendix C*.

Definitions and Summaries of Legal Documents

Definitions of certain words and terms used in this Official Statement are set forth in *Appendix C* of this Official Statement. Summaries of the Series 2006D Indenture, the Series 2006D Financing Agreement and the Continuing Disclosure Agreement are included in this Official Statement in *Appendix C* hereto. The Bonds of each Series are separately secured. The Indentures and Financing Agreements for the Series 2006E and Series 2006F Bonds are substantially similar to the Indenture and Financing Agreement summarized in *Appendix C*, except as otherwise noted. Such definitions and summaries do not purport to be comprehensive or definitive. All references herein to the specified documents are qualified in their entirety by reference to the definitive forms of such documents, copies of which may be viewed at the principal corporate trust office of the Trustee, Commerce Bank, N.A., Corporate Trust Department, 922 Walnut, 10th Floor, Kansas City, Missouri 64106. Copies of such documents and the other documents described herein will be available at the offices of the Underwriter, Piper Jaffray & Co., at 11150 Overbrook Road, Suite 300, Leawood, Kansas 66211 during the period of the offering and, thereafter, at the principal corporate trust office of the Trustee.

THE BOARD

General

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

Organization and Membership

The Board was established pursuant to the Act in 1982 and consists of twelve members, eight 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, the Director of the Department of Agriculture and the Director of the Department of Natural Resources 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, the Director of the Department of Agriculture and the Director of the Department of Natural Resources. 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 and ex-officio member. 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 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, 2010. Mr. Neff is President of Larry Neff Management and Development 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.
- **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 President of Alliance Energy LLC in Lebanon, Missouri.
- **Richard J. Wilson** — term as a member expires September 14, 2008. Mr. Wilson is Executive 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.
- **Mary Kay Meek** — term as a member expires September 9, 2010. Ms. Meek is President of Trymeek Corporation in Springfield, 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.
- **Doyle Childers** — ex-officio member. Mr. Childers is the Director of the Department of Natural Resources.

Other Indebtedness of the Board

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

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

EXCEPT FOR INFORMATION CONCERNING THE BOARD IN THE SECTIONS OF THIS OFFICIAL STATEMENT CAPTIONED “**THE BOARD**” AND “**LITIGATION – THE BOARD**,” NONE

OF THE INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN SUPPLIED OR VERIFIED BY THE BOARD AND THE BOARD MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

THE CITY

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

THE PROJECTS

Parks Facilities Project

The proceeds of the Series 2006D Bonds will be loaned by the Board to the City pursuant to the Series 2006D Financing Agreement and used by the City to pay the costs of the Parks Facilities Project, consisting of construction of the Independence Athletic Complex and Community Park. The final plan for the Parks Facilities Project calls for four game-quality soccer fields, four soccer practice spaces, three softball fields, two baseball fields with expansion for two more baseball fields, three full-size football fields on site and one other football practice space just to the south of the site. The Community Park portion includes shelters, playgrounds, trails, parking, restrooms and concession stands. Opening day is slated for the fall of 2007.

In August 2002, City voters approved a 1/8th-cent sales tax for park improvements and a 1/8th-cent sales tax for park maintenance. Collection of both taxes began on January 1, 2004. Collection of the sales tax for park improvements will end on December 31, 2012. The sales tax for park maintenance has no sunset provision. The City intends to satisfy its obligation to make Loan Payments with respect to the Series 2006D Bonds from sales tax revenues derived from the sales tax for park improvements. Collection of the sales tax will end on December 31, 2012. Such sales tax is not pledged and the application of such sales tax is subject to annual appropriation by the City Council.

Street Improvements Project

The proceeds of the Series 2006E Bonds will be loaned by the Board to the City pursuant to the Series 2006E Financing Agreement and used by the City to pay for construction of additional street improvements in the City. The City intends to satisfy its obligation to make Loan Payments with respect to the Series 2006E Bonds from a 3/8th-cent sales tax for street maintenance and improvements, the extension of which sales tax was approved by City voters on August 6, 2002 for an additional five years. This new reauthorization started on January 1, 2004 and will continue through December 31, 2008. During the period of the sales tax, the City intends to (1) overlay (repave) about 200 miles of City streets, (2) replace eight deteriorated bridges/culverts, (3) replace about 2.3 miles of deteriorated medians, and (4) construct various intersection and traffic safety projects. The loan from proceeds of the Series 2006E Bonds will allow the City to get more projects underway that would otherwise not be accomplished until 2008 at potentially inflated prices. The sales tax for street maintenance and improvements is not pledged and the application of such sales tax is subject to annual appropriation by the City Council.

Centerpoint Project

On December 6, 2004, the City approved an ordinance that approved the Independence Regional Medical Center Tax Increment Financing Plan (the "Plan"), established the Independence Regional Medical Center Tax Redevelopment Area (the "Redevelopment Area"), designated such area as blighted, and designated Midwest Division - IRHC, L.L.C. as the developer (the "Developer") for all projects in the Redevelopment Area. The Plan provides for the development and construction of a 257-bed hospital facility, an ambulatory surgery center, a medical office building and, as demand requires, additional medical office buildings and other facilities on approximately 86 acres generally located north of 39th Street and west of Little Blue Parkway.

The total Reimbursable Project Costs under the Plan are estimated to be approximately \$44,462,000, of which \$9,135,000 are Developer Reimbursable Project Costs and \$35,327,000 are City Reimbursable Project Costs (as all of such capitalized terms are defined in the Redevelopment Agreement). Developer Reimbursable Project Costs include site work and improvements to adjacent streets and associated soft costs.

The Plan provides that the City may issue bonds to fund the Public Safety Facility, the Building Rehabilitation Fund and the Public Road Improvements and to fund Developer Reimbursable Project Costs (collectively, the "Centerpoint Project"). The City shall be responsible for designing, engineering and constructing the "Public Road Improvements," which consist of three categories of public improvements that serve the Redevelopment Area: (1) the construction of Jackson Drive from its present northern terminus north to Truman Road, (2) constructing portions of the Little Blue Parkway north to U.S. 24 Highway, adding a southbound deceleration lane and a northbound left-turn lane to Little Blue Parkway at 37th Terrace, appropriate signalization to allow left turns by emergency vehicles only, constructing the intersection of 37th Terrace with Little Blue Parkway, and connecting such intersection with the currently existing cul-de-sac on 37th Terrace, and (3) improving the intersection of R.D. Mize Road, Duncan Road and Woods Chapel Road and constructing other street improvements to facilitate access to the Redevelopment Area from the east.

The Board has passed a resolution expressing its intent to issue one or more series of bonds to finance the City's costs associated with this development. The Series 2006F Bonds are the first of such series of bonds, which will fund the improvements to Jackson Drive as part of the Public Road Improvements under the Plan. Such Additional Bonds will be on a parity with the Series 2006F Bonds. The total amount of all bonds to be issued by the Board for the Centerpoint Project is expected to be approximately \$44,462,000 (not including an additional amount necessary to pay capitalized interest, costs of issuance and necessary reserves). Proceeds of the Series 2006F Bonds will fund Reimbursable Project Costs for the Jackson Drive improvements that are currently estimated to be approximately \$17,020,000, plus all financing costs, capitalized interest, credit enhancement costs, if any, and adequate reserves. The City expects that these bonds will be payable solely from, and secured by, an assignment and a pledge of loan payments made by the City pursuant to the one or more financing agreements, each between the Board and the City. The City's loan payments will be secured by Incremental Tax Revenues deposited into the Independence Regional Medical Center Special Allocation Fund, and if not paid from such fund, from the City's general fund, subject to annual appropriation.

Construction of the hospital facility is expected to be completed during 2007. The associated medical office buildings are expected to be completed during 2006.

The proceeds of the Series 2006F Bonds will be loaned by the Board to the City pursuant to the Series 2006F Financing Agreement and used by the City to reimburse certain costs of the Developer and the City, including pre-development costs, engineering costs, site preparation and grading.

Incremental Tax Revenues deposited in the Special Allocation Fund may be disbursed for purposes other than making payments related to the Series 2006F Bonds and Additional Bonds issued on a parity therewith. Moneys in the Special Allocation Fund are to be disbursed in the following priority and amounts:

1. Payment of arbitrage rebate, if any, owed with respect to the Series 2006F Bonds and any Additional Bonds issued on a parity therewith, including any costs of calculating arbitrage rebate;
2. Payment of fees and expenses owing to any Trustee for the Series 2006F Bonds and any Additional Bonds issued on a parity therewith, upon delivery to the City of an invoice for such amount;
3. Payment of fees and expenses incurred by the City in the administration of the Redevelopment Plan and the Redevelopment Agreement, which fees and expenses shall be in addition to other costs identified in the Redevelopment Agreement;
4. Payment of \$2,000,000 to the Blue Springs R-IV School District, which may be paid in a lump sum or in the amount of \$177,000 per year;
5. Payment of certain City transportation capital costs to the City in an amount equal to \$100,000 per year;
6. Payment of scheduled principal of, premium, if any, and interest becoming due (by reason of maturity or mandatory sinking fund redemption) on the Series 2006F Bonds and any Additional Bonds issued on a parity therewith on each interest payment date;
7. Replenishment of any deficiency in any Loan Payments related to the Series 2006F Bonds or any Additional Bonds issued on a parity therewith, the Series 2006F Debt Service Reserve Fund or other debt service reserve fund or account relating to the Series 2006F Bonds and any Additional Bonds issued on a parity therewith;
8. Reimbursement of other redevelopment project costs (including the Developer Reimbursable Project Costs) not paid from the proceeds of the Series 2006F Bonds or Additional Bonds issued on a parity with the Series 2006F Bonds;
9. Payment to the City of amounts to offset any deficit in PILOT's under the City's Midtown Truman Road Redevelopment Plan due to the closing of the Independence Regional Health Center, but only until the Midtown Truman Road Redevelopment Plan terminates;
10. Payment of capital costs of the Independence School District in an amount not to exceed \$5,500,000, to the extent Incremental Tax Revenues to make such payments;
11. If applicable, reimbursement to any district providing emergency services within the Redevelopment Area, to the extent required by the TIF Act or, in lieu thereof, such amount as may be set forth in a cooperative agreement between the City and any such district, subject to the Developer's approval;
12. Any surplus amounts that result after all of the above payments have been made shall be disbursed as surplus payment to the taxing districts pursuant to the TIF Act.

Sources and Uses of Funds

Sources of Funds:

	<u>Series 2006D</u>	<u>Series 2006E</u>	<u>Series 2006F</u>
Principal amount of the Bonds	\$5,485,000	\$2,770,000	\$4,980,000
Reoffering Premium (Discount)	103,225	33,185	(103,027)
Accrued Interest	<u>7,123</u>	<u>3,597</u>	<u>6,278</u>
Total sources of funds	\$5,595,348	\$2,806,782	\$4,883,251

Uses of Funds:

	<u>Series 2006D</u>	<u>Series 2006E</u>	<u>Series 2006F</u>
Deposit to the Project Fund	\$5,400,000	\$2,700,000	\$4,040,000
Capitalized Interest	70,581	35,645	267,688
Debt Service Reserve Fund	n/a	n/a	424,913
Debt Service Fund	7,123	3,597	6,278
Costs of Issuance (including Underwriter's Discount)	<u>117,644</u>	<u>35,645</u>	<u>144,372</u>
Total uses of funds	\$5,595,348	\$2,806,782	\$4,883,251

TAX INCREMENT FINANCING IN MISSOURI

The following description of Tax Increment Financing in Missouri applies to the Incremental Tax Revenues which are pledged (subject to annual appropriation with respect to the pledge of EATS) to secure the Series 2006F Bonds. The Series 2006F Bonds are also secured by the annual appropriation obligation of the City as described herein under the caption "SECURITY AND SOURCES OF PAYMENTS FOR THE BONDS – Annual Appropriation Obligation of the City."

Overview

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

The TIF Act

The Tax Increment Financing Act (the "TIF Act") was enacted in 1982 and was amended in 1990, 1991, 1997, 1998 and 2003. The constitutional validity of the TIF Act (prior to the amendments) was upheld by the Missouri Supreme Court in *Tax Increment Financing Commission of Kansas City, Missouri v. J.E. Dunn Construction Co., Inc.*, 781 S.W.2d 70 (Mo. 1989) (en banc). The TIF Act authorizes cities and counties to provide long-term financing for redevelopment projects in "blighted" and "conservation" areas (as defined in the TIF Act) through the issuance of bonds and other obligations. Prior to the amendments to the TIF Act, such obligations were payable solely from PILOTS within the redevelopment area. Under the 1990, 1991 and 1997 amendments to the TIF Act, such obligations are also payable from 50% of the increase in certain other tax

revenues generated by economic activities within the redevelopment area (including sales and utilities taxes but excluding any taxes imposed on sales or charges for sleeping rooms paid by transient guests of hotels and motels, taxes levied pursuant to Section 70.500, RSMo., licenses, fees or special assessments, other than payments in lieu of taxes, and personal property taxes and taxes levied for the purpose of public transportation pursuant to Section 94.660, RSMo). Such other taxes (subject to such exclusions) are referred to herein as “Economic Activity Tax Revenues” or “EATS.” The validity of certain portions of the 1990 and 1991 amendments relating to the capture of Economic Activity Tax Revenues was upheld by the Missouri Supreme Court in *County of Jefferson v. QuikTrip Corporation*, 912 S.W.2d 487 (Mo. 1995) (en banc).

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

TIF Act Legal Challenge

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 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 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.

Assessments and Collections of Ad Valorem Taxes

The City and the Redevelopment Area are 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 Redevelopment Area.

The Missouri Constitution requires uniformity in taxation of real property by directing such property to be subclassed as agricultural, residential or commercial and permitting different assessment ratios for each subclass. Residential property is currently assessed at 19% of true value in money, commercial property is

assessed at 32% of true value in money, and agricultural property is assessed at 12% of true value in money. The phrase “true value in money” has been held to mean “fair market value” except with respect to agricultural property.

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

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

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

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

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

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

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

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

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

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

Tax Delinquencies

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

Economic Activity Tax Revenues

The City expects only minimal taxable sales within the Redevelopment Area. The Economic Activity Taxes are projected to be less than 3% of the total tax increment financing revenues collected within the

Redevelopment Area, and the remaining revenues are projected to be Payments In Lieu of Taxes. As a result only a small amount of Economic Activity Taxes are expected to be available to make Loan Payments.

The Economic Activity Tax Revenues that will be pledged to the payment of the 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 Redevelopment Area over the amount of such taxes generated by economic activities within the Redevelopment Area in 1999, but excluding any taxes imposed on sales or charges for sleeping rooms paid by transient guests of hotels and motels, taxes levied pursuant to Section 70.500, RSMo., licenses, fees or special assessments, other than payments in lieu of taxes, and personal property taxes and taxes levied for the purpose of public transportation pursuant to Section 94.660, RSMo.

Retail businesses are required to collect the sales tax from purchasers at the time of sale, and pay said amounts to the Department of Revenue of the State with the filing of returns, except for the sales tax on motor vehicles, trailers, boats and outboard motors, which is due at the time application is made for title and registration. The sales volume of a retail business determines the frequency of payments made to the Department of Revenue of the State. In most cases, the retail businesses in the City make monthly payments to the Department of Revenue of the State, which are due on the tenth day of each calendar month for sales taxes collected in the preceding calendar month. Retail businesses located in the City submit applications to the City for a merchants license and an occupancy permit, and before such license and permit are awarded verification of a tax identification number from the State is made by the City. In the event of a failure by a retail business to remit sales taxes, interest and penalties, the unpaid amount may become a lien in the nature of a judgment lien against the delinquent taxpayer. In the event of overpayment by any retail business as a result of error or duplication, provision is made under State law for refunds.

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

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

THE BONDS

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

General Terms

The Bonds are being issued in the principal amounts shown on the cover page, are dated December 1, 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 pages, payable semi-annually on April 1 and October 1 of each year, and will mature on April 1 in the years as set forth on the inside cover pages. The Bonds are issuable as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof. The principal of the Bonds are payable at the principal corporate trust office of the Trustee. The interest on the Bonds is payable (a) by check or draft mailed by the Trustee to the persons who are the registered owners of the Bonds as of the close of business on the 15th day of the month preceding the respective interest payment dates, as shown on the bond registration books maintained by the Trustee, or (b) at the expense of the

registered owner, by electronic transfer of immediately available funds at the written request of any registered owner of \$1,000,000 or more in aggregate principal amount of Bonds, if such written notice specifying the electronic transfer instructions is provided to the Trustee not less than 15 days prior to the Interest Payment Date. Purchases of the Bonds will be made in book-entry only form (as described immediately below), in the denomination of \$5,000 or any integral multiple thereof. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds purchased. If the specified date for any payment on the Bonds is a date other than a Business Day, such payment may be made on the next Business Day without additional interest and with the same force and effect as if made on the specified date for such payments.

Book-Entry Only System

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

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

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

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

Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in The Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

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

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

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

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

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

Redemption

Series 2006D Bonds and Series 2006 E Bonds

The Series 2006D Bonds and the Series 2006E Bonds are **not** subject to redemption and payment prior to maturity.

Series 2006F Bonds

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

Optional Redemption. The Series 2006F Bonds maturing on April 1, 2021 and thereafter are subject to redemption and payment prior to maturity, at the option of the Board, which shall be exercised upon written direction from the City, on and after April 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 2006F Bonds maturing on April 1, 2021 are subject to mandatory redemption and payment prior to maturity pursuant to the mandatory redemption requirements of the Indenture on each April 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:

<u>April 1</u>	<u>Principal Amount</u>
2017	\$210,000
2018	230,000
2019	240,000
2020	265,000
2021*	275,000

*Final Maturity

The Series 2006F Bonds maturing on April 1, 2028 are subject to mandatory redemption and payment prior to maturity pursuant to the mandatory redemption requirements of the Indenture on each April 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:

<u>April 1</u>	<u>Principal Amount</u>
2022	\$295,000
2023	310,000
2024	335,000
2025	350,000
2026	375,000
2027	390,000
2028*	445,000

*Final Maturity

The Trustee shall, in each year in which the Series 2006F Bonds are to be redeemed pursuant to the terms of this subsection make timely selection of such Series 2006F 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 2006F 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 2006F 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 2006F Bonds of the same maturity which prior to such date have been redeemed (other than through the operation of the requirements of this subsection) and cancelled by the Trustee and not theretofore applied as a credit against any redemption obligation under this subsection. Each Series 2006F 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 2006F 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 2006F Bonds of the same maturity in chronological order or such other order as the City may designate, and the principal amount of Series 2006F 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 2006F Bonds of the same maturity, in the case of its election pursuant to clause (1), in respect to such mandatory redemption payment.

Election to Redeem; Notice to Trustee. The Board shall elect to redeem Series 2006F 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 Series 2006F Bonds for redemption and give notice of redemption and specifying the redemption date, the principal amount and maturities of Series 2006F Bonds to be called for redemption, the applicable redemption price or prices and the provision or provisions of the Indenture pursuant to which such Series 2006F Bonds are to be called for redemption.

The foregoing paragraph shall not apply in the case of any mandatory redemption of Series 2006F Bonds under the Indenture or under any Supplemental Indenture, and the Trustee shall call Series 2006F Bonds for redemption and shall give notice of redemption pursuant to such mandatory redemption requirements without the necessity of any action by the Board or the City whether or not the Trustee shall hold in the Debt Service Fund moneys available and sufficient to effect the required redemption.

Notice of Redemption. Unless waived by any owner of Series 2006F 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 Series 2006F 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 Series 2006F 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 Series 2006F 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 Series 2006F 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 Series 2006F 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 Series 2006F 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 Series 2006F Bonds to be Redeemed. Series 2006F Bonds may be redeemed only in the principal amount of \$5,000 or any integral multiple thereof. If less than all Series 2006F Bonds are to be redeemed and paid prior to maturity pursuant to the Indenture, the particular Series 2006F Bonds to be redeemed shall be selected by the Trustee from the Series 2006F 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 Series 2006F Bonds of a denomination larger than \$5,000; provided, however, Series 2006F Bonds redeemed from Excess Tax Revenues shall be redeemed in inverse order of maturity.

The Trustee shall promptly notify the Board and the City in writing of the Series 2006F 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 Series 2006F 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.

Series 2006F Bonds Payable on Redemption Date. Notice of redemption having been given as aforesaid, the Series 2006F Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified and from and after such date (unless the Board shall default in the payment of the redemption price) such Series 2006F 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 Series 2006F Bonds registered as such on the relevant Record Dates according to the terms of such Series 2006F 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.

Series 2006F Bonds Redeemed in Part. Any Bond which is to be redeemed only in part shall be surrendered at the place of payment therefor (with, if the Board or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Board and the Trustee duly executed by, the owner thereof or his attorney or legal representative duly authorized in writing) and the Board shall execute and the Trustee shall authenticate and deliver to the owner of such Bond, without service charge, a new Bond or Bonds of the same series and maturity of any authorized denomination or denominations as requested by such owner in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond so surrendered. If the owner of any such Bond shall fail to present such Bond to the Trustee for payment and exchange as aforesaid, said Bond shall, nevertheless, become due and payable on the redemption date to the extent of the \$5,000 (or other denomination) unit or units of principal amount called for redemption (and to that extent only).

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

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

Transfer Outside Book-Entry Only System

If the book-entry only system is discontinued, the following provisions would apply. The Bonds are transferable only upon the registration books of the Trustee upon surrender of the Bonds duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his attorney or legal representative in a form satisfactory to the Trustee. Bonds may be exchanged for other Bonds of any

denomination authorized by the Indenture in the same aggregate principal amount, series and maturity, upon presentation to the Trustee, subject to the terms, conditions and limitations set forth in the Indenture. The Trustee may make a charge for every such transfer or exchange sufficient to reimburse the Trustee for any tax or other governmental charge required to be paid with respect to any such exchange or transfer.

CUSIP Numbers

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

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

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

Special, Limited Obligations

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

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.

Sales Tax for Parks

On August 6, 2002, City voters approved a 1/8th-cent sales tax for park improvements and 1/8th-cent sales tax for park maintenance. Collection of both sales taxes began on January 1, 2004. Collection of the sales tax for park improvements will end on December 31, 2012. The sales tax for park maintenance has no sunset provision. The Series 2006D Bonds are being issued to finance an athletic complex and community park, and the City intends to satisfy its obligation to make Loan Payments with respect to the Series 2006D Bonds out of revenues generated from the sales tax for park improvements. The City's obligation to make Loan Payments with respect to the Series 2006D Bonds is not, however, limited to revenues of the sales tax for park improvements, and such sales tax revenues are not, and cannot be, pledged to the payment of such Loan Payments. Each year, the City Council will decide whether to appropriate revenues from the sales tax for park improvements or from other available sources during the then current fiscal year to make Loan Payments with respect to the Series 2006D Bonds during such fiscal year. The 1/8th-cent sales tax currently produces over \$2 million in sales tax revenues per year.

Sales Tax for Streets

On August 6, 2002, the voters of the City extended the 3/8th cent sales tax for street maintenance and improvements for an additional five years. This new reauthorization started on January 1, 2004 and will continue through December 31, 2008. The Series 2006E Bonds are being issued to finance certain street improvements, and the City intends to satisfy its obligation to make Loan Payments with respect to the Series 2006E Bonds out of revenues generated from the sales tax for street maintenance and improvements. The City's obligation to make Loan Payments with respect to the Series 2006E Bonds is not, however, limited to revenues of the street maintenance and improvements sales tax, and such sales tax revenues are not, and cannot be, pledged to the payment of such Loan Payments. Each year, the City Council will decide whether to appropriate revenues from the sales tax for street maintenance and improvements or from other available sources during the then current fiscal year to make Loan Payments with respect to the Series 2006E Bonds during such fiscal year. The 3/8th-cent sales tax currently produces approximately \$6.175 million in sales tax revenues per year.

Tax Increment Financing for Centerpoint Project

As more fully described herein, the City's obligation to make Loan Payments with respect to the Series 2006F Bonds under the Series 2006F Financing Agreement will be secured by Incremental Tax Revenues, a portion of which described herein as the Payment in Lieu of Taxes, are not subject to annual appropriation. The portion described herein as the Economic Activity Taxes are subject to annual appropriation by the City.

The Redevelopment Agreement provides for disbursements of Incremental Tax Revenues for purposes other than making payments related to the Series 2006F Bonds and Additional Bonds issued on a parity therewith. See "THE PROJECTS – Centerpoint Project" herein.

Prospective investors should not rely upon the City's collection of Incremental Tax Revenues (PILOTS and EATS) as a source of repayment of the Series 2006F Bonds, but should instead evaluate the likelihood that the City will continue to appropriate moneys sufficient to make Loan Payments under the Series 2006F Financing Agreement.

The Financing Agreements

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

City Annual Appropriation Obligation

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

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

Payments and reasonably estimated Additional Payments to become due during such Fiscal Year, the failure of the City to deliver the foregoing notice on or before the 15th day after the commencement of its Fiscal Year shall not constitute an Event of Nonappropriation and, on failure to receive such notice 15 days after the commencement of the City's Fiscal Year, the Trustee shall make independent inquiry of the fact of whether or not such appropriation has been made. If the City Council shall not have made the appropriation necessary to pay the Loan Payments and Additional Payments reasonably estimated to become due during such succeeding Fiscal Year, the failure of the City to deliver the foregoing notice on or before the 15th day after the commencement of its Fiscal Year shall constitute an Event of Nonappropriation.

Annual Budget Request. The City Manager or other officer of the City at any time charged with the responsibility of formulating budget proposals shall include in the budget proposals submitted to the City Council, in each Fiscal Year in which each 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 each Financing Agreement shall be made solely by the City Council and not by any other official of the City. The City intends, subject to the provisions above respecting the failure of the City to budget or appropriate funds to make Loan Payments and Additional Payments, to pay the Loan Payments and Additional Payments under each Financing Agreement. The City reasonably believes that legally available funds in an amount sufficient to make all Loan Payments and Additional Payments during each Fiscal Year can be obtained. The City further intends to do all things lawfully within its power to obtain and maintain funds from which the Loan Payments and Additional Payments may be made, including making provision for such Loan Payments and Additional Payments to the extent necessary in each proposed annual budget submitted for approval in accordance with applicable procedures of the City and to exhaust all available reviews and appeals in the event such portion of the budget is not approved. The City's Director of Finance 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 under each Financing Agreement 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 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 under each Financing Agreement shall be from year to year only, and shall not constitute a mandatory payment obligation of the City in any ensuing Fiscal Year beyond the then current Fiscal Year. Neither the Financing Agreements 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 in the Financing Agreements shall be construed to limit the rights of the owners of the Bonds or the Trustee to receive any amounts which may be realized from the Trust Estate pursuant to the Indenture for each Series of Bonds. Failure of the City to budget and appropriate said moneys on or before the last day of any Fiscal Year shall be deemed an Event of Nonappropriation.

Debt Service Reserve Fund (Series 2006F Bonds Only)

Pursuant to the Series 2006F Indenture, the Board will establish a Debt Service Reserve Fund for the Series 2006F Bonds. Such Debt Service Reserve Fund will be fully funded at the time of the issuance of the Series 2006F Bonds from the proceeds of the Series 2006F Bonds in an amount equal to "Debt Service Reserve Requirement." The Debt Service Reserve Requirement is an amount equal to, calculated at the date of original issuance and delivery of the Series 2006F Bonds, the least of (A) 10% of the original aggregate principal amount of the Series 2006F Bonds, (B) the maximum annual debt service on the Series 2006F Bonds, or (C) 125% of the average future annual debt service on the Series 2006F Bonds. Moneys in the Debt Service Reserve Fund shall only be available to fund a deficiency in the Debt Service Fund with respect to Series 2006F Bonds and not any Additional Bonds. Amounts in the Debt Service Reserve Fund are to be used to pay principal of and interest on the Series 2006F Bonds to the extent of any deficiency in the Debt Service Fund and to retire the last Outstanding Bonds of the Series 2006F Bonds.

The Indentures

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

Additional Bonds

Series 2006D Bonds and Series 2006E Bonds

The Indentures authorizing the Series 2006D Bonds and the Series 2006E Bonds do not permit the issuance of additional bonds on a parity with either the Series 2006D Bonds or the Series 2006E Bonds.

Series 2006F Bonds

The Redevelopment Agreement authorizes the issuance of obligations in an amount necessary to fund the City's Reimbursable Project Costs and the Developer Reimbursable Project Costs in an amount expected to be approximately \$44,462,000, plus capitalized interest, costs of issuance and necessary reserves. The City currently contemplates that it will request that the Board issue Additional Bonds in the aggregate principal amount of approximately \$40,422,000 (not including an additional amount necessary to pay capitalized interest, costs of issuance and necessary reserves) to finance other redevelopment project costs relating to the Centerpoint Project. The proposed Additional Bonds will be secured on a parity with the Series 2006F Bonds (except with respect to the Series 2006F Account of the Debt Service Reserve Fund which shall only be pledged to secure the Series 2006F Bonds), and therefore will share an equal claim on the PILOTS and EATS.

The Board from time to time may, in its sole discretion, at the written request of the City, authorize the issuance of Additional Bonds on a parity with the Series 2006F Bonds for the purposes and upon the terms and conditions provided in the Series 2006F Indenture; provided that (1) the terms of such Additional Bonds, the purchase price to be paid therefor and the manner in which the proceeds thereof are to be disbursed shall have been approved by resolutions adopted by the Board, the City; (2) the Board 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 Series 2006F Financing Agreement if the maturity of any of the Additional Bonds would otherwise occur after the expiration of the term of the Series 2006F Financing Agreement; and (3) the Board, the City shall have otherwise complied with the provisions of the Series 2006F Financing Agreement and the Series 2006F Indenture with respect to the issuance of such Additional Bonds.

The sole economic test for the issuance of Additional Bonds on a parity with the Series 2006F Bonds is whether the City is willing to commit its annual appropriation obligation to the repayment of the Loan Payments with respect to such Additional Bonds. This means that the City may issue or cause to be issued Additional Bonds on a parity with the Series 2006F Bonds even if the Incremental Tax Revenues are not sufficient to provide for the Loan Payments on the Series 2006F Bonds, without regard to the proposed Additional Bonds. **For this reason prospective investors should not rely upon the Incremental Tax Revenues as a source of repayment of the Series 2006F Bonds, but should instead evaluate the likelihood that the City will continue to appropriate moneys sufficient to make Loan Payments under the Series 2006F Financing Agreement.**

BONDOWNERS' RISKS

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

General

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

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

General. Except as provided herein with respect to PILOTS pledged to secure the Series 2006F Bonds, all payments by the City under each applicable Financing Agreement are subject to annual appropriation.

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

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

Risk Factors Relating to the Collection of Incremental Tax Revenues

As noted herein the payment by the City of Loan Payments with respect to the Series 2006F Bonds only is secured by Incremental Tax Revenues (PILOTS and EATS).

Prospective investors should not rely upon the City's collection of Incremental Tax Revenues (PILOTS and EATS) as a source of repayment of the Series 2006F Bonds, but should instead evaluate the likelihood that the City will continue to appropriate moneys sufficient to make Loan Payments under the Series 2006F Financing Agreement.

Although prospective investors should not rely upon the City's collection of Incremental Tax Revenues (PILOTS and EATS) as a source of repayment of the Series 2006F Bonds, prospective investors should evaluate factors which could cause such Incremental Tax Revenues to be below the City's estimate in order to determine the capacity of the City's General Fund to provide for the Loan Payments with respect to the Series 2006F Bonds in the event such Incremental Tax Revenues are not sufficient to make such payments.

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

Payments from Special Allocation Fund. As described herein, the Redevelopment Agreement calls for the payment of amounts for purposes other than payments related to the Series 2006F Bonds and Additional Bonds issued on a parity therewith. A shortfall in the amount of Incremental Tax Revenues collected related to the Centerpoint Plan may result in collection of PILOTS and EATS which are insufficient to pay the Series 2006F Bonds and any Additional Bonds issued on a parity therewith.

Proposed Additional Bonds. The sole economic test for the issuance of Additional Bonds on a parity with the Series 2006F Bonds is whether the City is willing to commit its annual appropriation obligation to the repayment of the Loan Payments with respect to such Additional Bonds. This means that the City may issue or cause to be issued Additional Bonds on a parity with the Series 2006F Bonds even if the Incremental Tax Revenues are not sufficient to provide for the Loan Payments relating to the Series 2006F Bonds, without regard to the proposed Additional Bonds.

Risk of Failure to Maintain Levels of Assessed Valuations. There can be no assurance that the assessed value of property within the Centerpoint Project will equal or exceed the expected assessed value. Even if the assessed value is initially determined as expected, there can be no assurance that such assessed value will be maintained throughout the term of the Series 2006F Bonds. The property owner has the ability to appeal all assessed value determinations. The Plan adopted by the City related to the Centerpoint Project projects that approximately 97% of the incremental revenues to be received under the Plan will be from PILOTS.

Changes in State and Local Tax Laws. The City's internal estimates of Incremental Tax Revenues assume no substantial change in the basis of extending, levying and collecting real property taxes, sales taxes, PILOTS and Economic Activity Tax Revenues. Any change in the current system of collection and distribution of real property taxes, sales taxes, PILOTS or Economic Activity Tax Revenues in the County or the City, including without limitation the reduction or elimination of any such tax, judicial action concerning any such tax or voter initiative, referendum or action with respect to any such tax, could adversely affect the availability of revenues to pay the principal of and interest on the Series 2006F Bonds.

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

Risk of Non-Appropriation of Economic Activity Taxes. The application of Economic Activity Tax Revenues in the Special Allocation Fund applicable to the Centerpoint Project is subject to annual appropriation by the City. Although the City has covenanted to request annually that the appropriation of the Economic Activity Tax Revenues in the Special Allocation Fund be included in the budget submitted to the

City Council for each fiscal year, there can be no assurance that such appropriation will be made by the City Council, and the City Council is not legally obligated to do so.

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

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

Loss of Premium Upon Early Redemption

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

Determination of Taxability

Neither the Series 2006D Bonds nor the Series 2006E Bonds are subject to redemption. The interest rates on all series of the Bonds are not subject to adjustment in the event of a determination by the Internal Revenue Service or a court of competent jurisdiction that the interest paid or to be paid on any Bond is or was includible in the gross income of the Owner of a Bond for federal income tax purposes. Such determination may, however, result in a breach of the Board's tax covenants set forth in the applicable Indenture which may constitute an event of default under such Indenture. ***It may be that Bondowners would continue to hold their Bonds, receiving principal and interest as and when due, but would be required to include such interest payments in gross income for federal income tax purposes.***

Enforcement of Remedies

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

Amendment of Indentures

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

LITIGATION

The Board

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

The City

There is not now pending or, to the knowledge of the City, threatened any litigation against the City seeking to restrain or enjoin the issuance or delivery of the Bonds by the Board, or questioning or affecting the validity of the Bonds or the proceedings of the Board under which they are to be issued, or which in any manner questions the right of the Board's right to enter into the Indentures or the Financing Agreements or to secure the Bonds in the manner provided in the Indentures, the Act or the City's right to enter into the Financing Agreements. See "**TAX INCREMENT FINANCING IN MISSOURI - TIF Act Legal Challenge**" for a description of certain litigation that could impact the Series 2006F Bonds.

LEGAL MATTERS

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

TAX MATTERS

Opinion of Bond Counsel

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

cause the inclusion of interest on the Bonds in gross income for federal and Missouri income tax purposes retroactive to the date of issuance of the Bonds. The Bonds have not been designated as “qualified tax-exempt obligations” for purposes of Section 265(b) of the Code.

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

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

Other Tax Consequences

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

- (1) Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of such institution’s interest expense allocable to interest on the Bonds.
- (2) With respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15 percent of the sum of certain items, including interest on the Bonds.
- (3) Interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by Section 884 of the Code.
- (4) Passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year, if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income.
- (5) Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining gross income, receipts or accruals of interest on the Bonds.

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

RATINGS

Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc., has given the each Series of Bonds the rating shown on the cover page of this Official Statement. Such 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 each Series of the Bonds will continue for any period of time or that it will not be revised or withdrawn. A revision or withdrawal of the rating when assigned to the Bonds may have an adverse affect on the market price of the Bonds.

FINANCIAL STATEMENTS

Audited financial statements of the City for the fiscal year ended June 30, 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 an excerpt of the statistical section to be included in the City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2006, prepared by the City's Finance Department containing unaudited information for such fiscal year.

CONTINUING DISCLOSURE

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

UNDERWRITING

The Bonds are being purchased by Piper Jaffray & Co. (the "Underwriter"). The Underwriter has agreed to purchase the Bonds pursuant to a bond purchase agreement entered into by and among the Board, the City and the Underwriter. The bond purchase agreement provides that the Underwriter will purchase the Series 2006D Bonds at a purchase price of \$5,551,468.03 (which represents the principal amount of the Bonds, \$5,485,000, plus a reoffering premium of \$103,225.15, less an underwriter's discount of \$43,880.00, plus accrued interest in the amount of \$7,122.88). The bond purchase agreement provides that the Underwriter will purchase the Series 2006E Bonds at a purchase price of \$2,792,931.75 (which represents the principal amount of the Bonds, \$2,770,000, plus a reoffering premium of \$33,184.60, less an underwriter's discount of \$13,850.00, plus accrued interest in the amount of \$3,597.15). The bond purchase agreement provides that the Underwriter will purchase the Series 2006F Bonds at a purchase price of \$4,808,551.90 (which represents the principal amount of the Bonds, \$4,980,000, less net original issue discount of \$103,026.50, less an underwriter's discount of \$74,700, plus accrued interest in the amount of \$6,278.40). In addition, the bond purchase agreement provides, among other things, that the Underwriter will purchase all of the Bonds, including all Series of the Bonds, if any are purchased. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The City has agreed in the bond purchase agreement to indemnify the Underwriter against certain liabilities. The obligations of the Underwriter to accept delivery of the Bonds are subject to various conditions contained in the bond purchase agreement.

MISCELLANEOUS

The references herein to the Act, the Indentures, the Financing Agreements and the Continuing Disclosure Agreement are brief outlines of certain provisions thereof and do not purport to be complete. For full and complete statements of the provisions thereof, reference is made to the Act, the Indentures, the Financing Agreements and the Continuing Disclosure Agreement. Copies of such documents are on file at the offices of the Underwriter and following delivery of the Bonds will be on file at the office of the Trustee.

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

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

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

CITY OF INDEPENDENCE, MISSOURI

By: /s/ John Pinch
Deputy 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:

<u>Councilmembers</u>	<u>Occupation</u>	<u>District</u>	<u>Expiration of Term</u>
Don B. Reimal, Mayor	Retired	n/a	2010
Marcie Gragg	Church leader	District 1	2008
Will Swoffer	Retired	District 2	2008
Renee Paluka	Commodity buyer	District 3	2008
Jim Page	Retired	District 4	2008
Jim Schultz	Insurance agent	At-Large	2010
Lucy Young	Secretary	At-Large	2010

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:

<u>Employer</u>	<u>Product/Service</u>	<u>Number of Employees</u>
1. Alliant Tech Systems	Small Arms Ammunition	2,100
2. Independence School District	Education	1,800
3. City of Independence	Government	1,176
4. Independence Reg. Health Center	Medical Care	1,035
5. Medical Center of Independence	Medical Care	565
6. Burd & Fletcher	Paper cartons	350
7. GEHA	Medical Insurance Service Center	350
8. Unilever (Thomas J. Lipton)	Tea, Salad Dressings, Seasonings	330
9. Jackson County Circuit Court	Government	274
10. Mid-Continent Library	Library Services	248

Source: Independence Council for Economic Development.

General and Demographic Information

The following tables set forth certain population information.

	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2005*</u>
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)

<u>Age</u>	<u>Jackson County</u>	<u>State of Missouri</u>
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	<u>39,326</u>	<u>362,153</u>
Total	<u>654,880</u>	<u>5,595,211</u>
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.

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<u>Kansas City MSA</u>						
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%
<u>Jackson County</u>						
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%
<u>State of Missouri</u>						
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.

	<u>Per Capita</u>		<u>Median Family</u>	
	<u>2000</u>	<u>2005</u>	<u>2000</u>	<u>2005</u>
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:

<u>Housing type</u>	<u>Number of Units</u>	<u>Percentage of Units</u>
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	<u>26</u>	<u>0.05</u>
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:

	<u>Median Value</u>	
	<u>2000</u>	<u>2005</u>
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.

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
<i>Residential</i>					
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
<i>Non-Residential</i>					
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.

<u>Year</u>	<u>Total</u>	<u>Real Estate Tax</u>	<u>Railroad Utilities Tax</u>	<u>Cigarette Tax</u>	<u>Transient Guest Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>In Lieu of Taxes</u>
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
2006*	64,920,638	6,865,462	29,861	596,603	1,000,809	36,157,440	7,645,602	12,624,861

* Change in presentation from years prior to the 2005 fiscal year. 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):

	<u>Assessed Valuation*</u>	<u>Assessment Rate</u>	<u>Actual Valuation</u>
Real Estate:			
Residential	\$ 789,999,343	19%	\$4,157,891,279
Commercial	255,766,766	32	799,271,144
Agricultural	<u>1,132,567</u>	12	<u>9,438,058</u>
Real Estate Sub-Total	\$1,046,898,676		\$4,966,600,481
Railroad and Utilities	6,349,801	32 or 33-1/3	20,643,891
Personal Property	<u>266,654,033</u>	33-1/3*	<u>771,117,532</u>
Total	\$1,319,902,510		\$5,787,206,471

* 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:

<u>Year</u>	<u>Assessed Valuation</u>	<u>Percent Change</u>
2006	\$1,319,902,510	2.0%
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 June 30, 2005.

<u>Name of Taxpayer</u>	<u>Type</u>	<u>Local Assessed Valuation</u>	<u>Percentage of Total Local Assessed Valuation</u>
Simon Property Group LP	Retail Center	\$19,238,350	1.46%
DDR MDT Independence Commons	Retail Center	9,611,830	0.73
Geospace	Warehouse	8,848,360	0.67
Bradley Operating LTD PTP	Retail Center	7,661,437	0.58
Noland Fashion Square	Retail	5,103,999	0.39
Southern Union Railroad	Utility	4,257,589	0.32
Sprint Spectrum	Communications	4,166,300	0.32
Burd & Fletcher	Paper Cartons	3,814,618	0.29
Southwestern Bell	Communications	3,635,212	0.28
Independence Regional Health	Hospital	<u>3,353,692</u>	<u>0.25</u>
Total		\$69,691,387	3.84%

Source: Jackson County Collection Department

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 December 1, 2006. However, as of that date the City did have 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:

	<u>Balance Payable</u>
<u>Power and Light Fund:</u>	
\$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 12/01/2006)	\$12,414,556
\$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 12/01/2006)	\$3,691,623
<u>Water Fund:</u>	
\$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 12/01/2006)	\$26,755,000
\$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 12/01/2006)	\$13,795,000
<u>Bonds Secured by the City's Annual Appropriation Powers</u>	
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 12/01/2006)	\$3,790,000
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 12/01/2006)	\$10,375,000

Balance Payable

On May 17, 2000, at the request of the City, MDFB issued \$5,595,000 in Infrastructure Facilities Revenue Bonds, Series 2000A, due in annual installments of \$200,000 to \$800,000 through April 1, 2012 and bearing interest at rates ranging from 5.15% to 5.80%. The proceeds of the bonds were loaned by MDFB to the City and are to be used for reimbursement of redevelopment costs related to Eastland Phase I project. These bonds are payable solely from, and secured by, an assignment and a pledge of loan payments made by the City pursuant to a financing agreement between the Board and the City, which loan payments are secured by a pledge of certain tax increment revenues, and if not paid from such tax revenues, from the City's general fund, subject to annual appropriation. (as of 12/01/2006)

\$3,680,000

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 12/01/2006)

\$245,000

On November 16, 2000, at the request of the City, MDFB issued \$12,770,000 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 12/01/2006)

\$12,030,000

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 12/01/2006)

\$9,865,000

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

\$800,000

Balance Payable

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 12/01/2006)

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 12/01/2006)

\$1,280,000

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 12/01/2006)

\$3,190,000

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 12/01/2006)

\$8,405,000

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 12/01/2006)

\$780,000

Balance Payable

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 12/01/2006)

\$5,195,000

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 12/01/2006)

\$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 12/01/2006)

\$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 12/01/2006)

\$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 12/01/2006)

\$3,185,000

Balance Payable

On March 30, 2006, at the request of the City, MDFB issued \$34,340,000 in Infrastructure Facilities Revenue Bonds, Series 2006A, due in annual installments of \$340,000 to \$5,385,000 from March 1, 2009 through March 1, 2024 and bearing interest at rates ranging from 5.30% to 6.00%. 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 lease payments to be made by Bass Pro Shops Outdoor World and by a subordinate pledge of certain tax increment revenues, and if not paid from such payments and revenues, from the City's general fund, subject to annual appropriation. (as of 12/01/2006).	\$34,340,000
On March 30, 2006, at the request of the City, MDFB issued \$14,030,000 in Infrastructure Facilities Revenue Bonds, Series 2006B, due in annual installments of \$1,340,000 to \$8,225,000 from March 1, 2024 through March 1, 2026 and bearing interest at the rate of 5.79%. 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 lease payments to be made by Bass Pro Shops Outdoor World and by a subordinate pledge of certain tax increment revenues, and if not paid from such payments and revenues, from the City's general fund, subject to annual appropriation. (as of 12/01/2006).	\$14,030,000
On March 30, 2006, at the request of the City, MDFB issued \$12,790,000 in Infrastructure Facilities Revenue Bonds, Series 2006C, due in annual installments of \$3,500,000 to \$5,385,000 from March 1, 2026 through March 1, 2028 and bearing interest at the rate of 5.00%. 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 a subordinate lien on lease payments to be made by Bass Pro Shops Outdoor World, and if not paid from such revenues from the City's general fund, subject to annual appropriation. (as of 12/01/2006)	\$12,790,000
On May 17, 2006, at the request of the City, MDFB issued \$1,590,000 in Infrastructure Facilities Revenue Bonds, Series 2006, due in annual installments of \$70,000 to \$170,000 through March 1, 2020 and bearing interest at the rates ranging from 4.00% to 4.625%. The proceeds of the bonds were loaned by MDFB to the City to be used to reimburse the City for a portion of the cost of the public improvements for the Drumm Farm development. 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 12/01/2006)	\$1,590,000

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 Crackerneck Creek project will include an approximately 150,000 square foot Bass Pro Shops Outdoor World retail store, and is expected to include 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. 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, third and fourth series of bonds were issued on March 30, 2006, in the aggregate principal amount of \$61,160,000.

In addition to bonds expected to be issued for the Drumm Farm Project and the Crackerneck Creek Project, the City expects to issue additional bonds secured by the City's annual appropriation authority.

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	<u>687,260</u>
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.

<u>Jurisdiction</u>	<u>General Obligation Bond Issues Outstanding*</u>	<u>Percentage Applicable to City of Independence</u>	<u>Amount Applicable to City of Independence</u>
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	<u>23,279,674</u>	12.5	<u>2,909,959</u>
TOTAL	\$352,500,155		\$117,721,511

* Does not include amounts available in certain debt service funds

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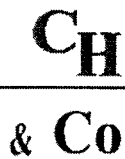
APPENDIX B

**ACCOUNTANTS' REPORT AND AUDITED FINANCIAL STATEMENTS
OF THE CITY OF INDEPENDENCE, MISSOURI
FOR FISCAL YEAR ENDED JUNE 30, 2005;
UNAUDITED FINANCIAL INFORMATION FOR THE CITY OF INDEPENDENCE,
MISSOURI FOR FISCAL YEAR ENDED JUNE 30, 2006**

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**ACCOUNTANTS' REPORT AND AUDITED FINANCIAL STATEMENTS
OF THE CITY OF INDEPENDENCE, MISSOURI
FOR FISCAL YEAR ENDED JUNE 30, 2005**

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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

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

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

3217 North Oak Trafficway
Kansas City, MO 64116
(816) 453-7014
(816) 453-7016 FAX

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 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

Cordell, Harold V. G. PC

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

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

Financial Highlights

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

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

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

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

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

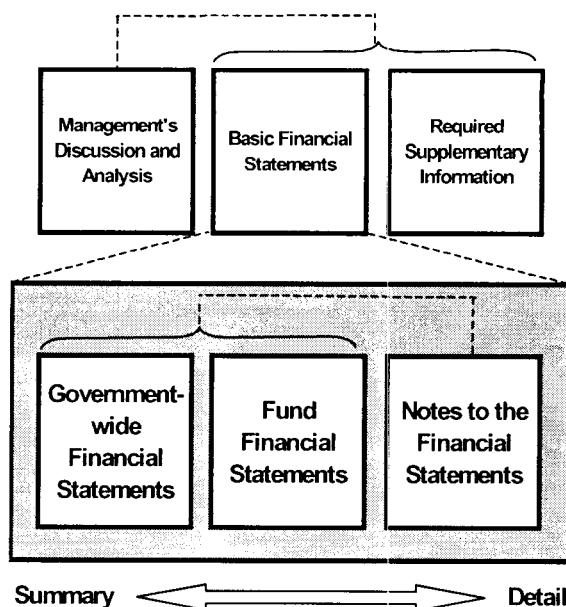
The City has approved a tax increment financing project to convert two closed landfills to a Greg Norman Golf Course with executive housing on the perimeter.

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

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:

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



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

- 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

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

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

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

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

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.

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

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.

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

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.

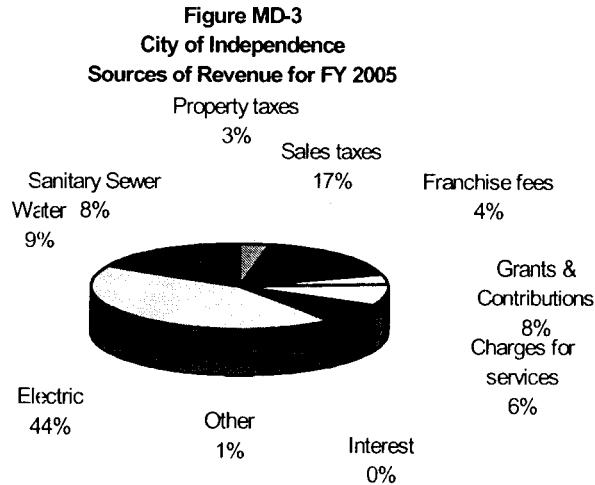
Total expenses increased \$6.7 million and Governmental expenses increased 5.0% or \$3.2 million. This increase can be attributed to costs associated with electric production and capital projects.

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.

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

Revenues

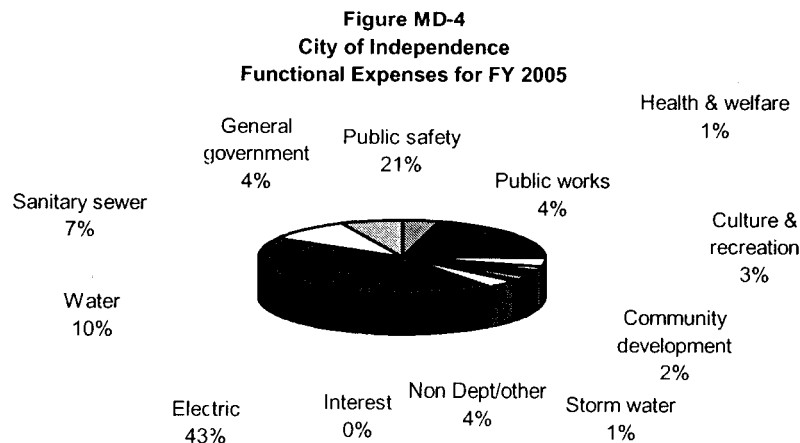
For the fiscal year ending June 30, 2005 revenues totaled \$198.6 million. Of this amount charges for services (governmental and business type) was \$126.5 million or 63.7% of the total. Revenue from business-type activities represents 60.3% of the total City revenues (Figure MD-3).



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).



CITY OF INDEPENDENCE, MISSOURI
Management's Discussion and Analysis
June 30, 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 Services	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
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	<u>\$ 67,445,022</u>	<u>64,197,613</u>	<u>38,002,482</u>	<u>40,598,295</u>

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.

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

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.

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

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.

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

Debt Administration

Table MD-5
City of Independence's Outstanding Debt

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2004-2005</u>
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 Improvemnt District	1,039,990	995,000	-	-	1,039,990	995,000	4.52%
Total	<u>\$ 23,553,974</u>	<u>4,038,079</u>	<u>62,969,608</u>	<u>65,887,893</u>	<u>86,523,582</u>	<u>69,925,972</u>	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.

CITY OF INDEPENDENCE, MISSOURI

Statement of Net Assets

June 30, 2005

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Tax Increment Financing
Assets				
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.

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	16,354,488	17,080,050	—	883,685	1,569,247
Sewer	11,955,774	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.

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	<u>\$ 9,122,295</u>	<u>1,687,291</u>	<u>38,612,854</u>	<u>49,422,440</u>
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	<u>4,274,640</u>	<u>488,553</u>	<u>7,971,769</u>	<u>12,734,962</u>
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	<u>4,847,655</u>	<u>1,198,738</u>	<u>30,641,085</u>	<u>36,687,478</u>
Total liabilities and fund balance	<u>\$ 9,122,295</u>	<u>1,687,291</u>	<u>38,612,854</u>	<u>49,422,440</u>

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	<u>(22,626,592)</u>
	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	<u>(11,686,597)</u>
	(35,240,571)
Deferred debt costs	<u>261,608</u>
Net assets of governmental activities	<u>\$ 122,409,342</u>

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2005

	<u>General</u>	<u>Park Improvement Sales Tax</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
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	<u>48,665,197</u>	<u>4,612,813</u>	<u>22,228,629</u>	<u>75,506,639</u>
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	<u>59,483,201</u>	<u>10,058,723</u>	<u>18,827,253</u>	<u>88,369,177</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,818,004)</u>	<u>(5,445,910)</u>	<u>3,401,376</u>	<u>(12,862,538)</u>
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	<u>10,718,768</u>	<u>6,172,073</u>	<u>13,871,710</u>	<u>30,762,551</u>
Net change in fund balances	<u>(99,236)</u>	<u>726,163</u>	<u>17,273,086</u>	<u>17,900,013</u>
Fund balances, beginning, as restated	<u>4,946,891</u>	<u>472,575</u>	<u>13,367,999</u>	<u>18,787,465</u>
Fund balances, ending	<u>\$ 4,847,655</u>	<u>1,198,738</u>	<u>30,641,085</u>	<u>36,687,478</u>

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

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

Year ended June 30, 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.

CITY OF INDEPENDENCE, MISSOURI

Balance Sheet
 Proprietary Funds
 June 30, 2005

Assets	Enterprise funds				Internal Service Funds
	Power and Light	Water	Sanitary Sewer	Total	
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	386,438,861	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.

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.

CITY OF INDEPENDENCE, MISSOURI

Statement of Cash Flows

Proprietary Funds

Year ended June 30, 2005

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

See accompanying notes to financial statements.

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	<u>55,030</u>	<u>42,835</u>
Liabilities:		
Funds held in escrow	—	42,835
Total liabilities	<u>—</u>	<u>\$ 42,835</u>
Net assets:		
Held in trust	<u>\$ 55,030</u>	

See accompanying notes to financial statements.

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	<u>1,395</u>
Total additions	<u>22,380</u>
Deductions:	
Community development	<u>19,955</u>
Total deductions	<u>19,955</u>
Change in net assets	2,425
Net assets, beginning	<u>52,605</u>
Net assets, ending	<u><u>\$ 55,030</u></u>

See accompanying notes to financial statements.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

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

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

(a) *The Financial Reporting Entity*

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

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

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

(b) *Basis of Presentation*

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2005

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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2005

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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2005

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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2005

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

(i) **Capital Assets**

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

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

	<u>Years</u>
Governmental activities:	
Buildings and improvements	20-40
Improvements other than buildings	20
Roads 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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2005

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

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

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2005

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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2005

(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 postemployment benefit" (OPEB) plan. Specifically, the City will be required to measure and disclose an amount for annual OPEB cost on the accrual basis for health and insurance benefits that will be provided to retired City employees in future years. The City also is required to record a net OPEB obligation which is defined as the cumulative difference between annual OPEB cost and the employer's contributions to a plan, including the OPEB liability or asset at transition, if any. The City is currently evaluating the impact of adopting Statement No. 45, but cannot determine the impact that this standard will have on the financial statements when adopted. The City will implement Statement No. 45 beginning with the year ended June 30, 2008.

(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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2005

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	<u>77,653,975</u>
Total investments	95,352,774
Deposits and repurchase obligations	22,954,408
Petty cash	<u>11,050</u>
Total	<u>\$ 118,318,232</u>

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

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

Investment Policy

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

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2005

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	<u>\$ 78,083,630</u>	

Custodial Credit Risk

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

At June 30, 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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2005

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	-	-
	<u>\$ 30,563,900</u>	<u>\$ 4,038,148</u>	<u>\$ 12,758,203</u>

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

Assessed values are established by the Clay and Jackson County assessors, subject to review by the Jackson County Board of Equalization and State Tax Commission. The assessed value for real property, including railroad and utility properties, located in the City as of January 1, 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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2005

(4) Intergovernmental Revenue and Receivables

Intergovernmental revenue during fiscal year 2005 consisted of the following:

	<u>General Fund</u>	<u>Nonmajor governmental funds</u>
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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2005

	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 Chiefs 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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2005

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

	<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Total</u>
General Fund				
Department 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
	<u>\$ 27,476</u>	<u>\$ 773,000</u>	<u>\$ 1,327</u>	<u>\$ 801,803</u>
Nonmajor Governmental Funds:				
Department 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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2005

	<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Total</u>
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	<u>3,960,594</u>	<u>139,387</u>	<u>1,583,195</u>	<u>5,683,176</u>
Grand Totals	<u><u>\$ 3,988,070</u></u>	<u><u>\$ 912,387</u></u>	<u><u>\$ 1,584,522</u></u>	<u><u>\$ 6,484,979</u></u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2005

(5) Interfund Activity

(a) *Interfund Balances*

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

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

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

(b) *Interfund Charges for Support Services*

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

	<u>Interfund charges</u>	<u>Rent</u>
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	<u>762,648</u>	<u>34,940</u>
	<u><u>\$ 2,700,215</u></u>	<u><u>\$ 125,290</u></u>

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

Interfund charges for customer service support services and telephone operators were paid (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	<u>892,597</u>
	<u><u>\$ 1,078,555</u></u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2005

(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).

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2005

(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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2005

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		<u>2,979,033</u>

In addition, depreciation on capital assets held by the City's

Central Garage Fund is charged to the various functions
based on their usage of the assets

Total depreciation expense

	4,098
\$	<u><u>2,983,131</u></u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2005

	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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2005

	<u>Balance</u> <u>June 30, 2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2005</u>
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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2005

	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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2005

(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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2005

	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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2005

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

June 30,	Governmental activities				Discretely-presented component unit	
	Loans payable		NID Payable		TIF Loans	
	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
	<u>\$ 21,318,126</u>	<u>\$ 4,216,731</u>	<u>\$ 1,041,000</u>	<u>\$ 26,948</u>	<u>\$ 67,170,000</u>	<u>\$ 38,761,170</u>

June 30,	Business-type activities				Discretely-presented component unit	
	Power and Light		Water		Loans payable	
	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	-	-
	<u>\$ 20,445,000</u>	<u>\$ 4,666,745</u>	<u>\$ 44,495,000</u>	<u>\$ 18,409,738</u>	<u>\$ 341,874</u>	<u>\$ 45,534</u>

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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

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

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

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

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2005

(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
	\$	<u>1,015,831</u>

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

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	<u>466,164</u>
	1,186,915
Less imputed interest	<u>(171,084)</u>
Present value of minimum lease payments	<u>\$ 1,015,831</u>

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	<u>(1,970,392)</u>
Total power and light fund	<u>18,474,608</u>

Water fund:

\$36,000,000 1986 Water Utility Remarketing Bonds, principal due in annual installments of \$850,000 to \$5,010,000 through June 30, 2017, interest at approximately 3.25% to 5.0%	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%.	<u>14,785,000</u>
Total water fund	<u>44,495,000</u>
Total revenue bonds	<u>\$ 62,969,608</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2005

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

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

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

Account	Enterprise funds		
	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	<u>\$ 1,248,724</u>	<u>\$ 768,030</u>	<u>\$ 197,924</u>

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

Restricted assets in the General Fund of \$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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2005

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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

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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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2005

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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2005

(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.

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

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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	<u>\$ 1,119,765</u>	<u>\$ 871,093</u>

(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

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2005

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			Total
	General	Park Sales Tax	Nonmajor	
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	<u>1,650,890</u>	<u>741,154</u>	<u>17,369,515</u>	<u>19,761,559</u>
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	<u>1,292,804</u>	<u>-</u>	<u>1,410,123</u>	<u>2,702,927</u>
Undesignated	<u>1,903,961</u>	<u>457,584</u>	<u>11,861,447</u>	<u>14,222,992</u>
Total fund equity	<u>\$ 4,847,655</u>	<u>\$ 1,198,738</u>	<u>\$ 30,641,085</u>	<u>\$ 36,687,478</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Financial Statements

June 30, 2005

(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 Activities	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	<u>\$ 100,934,418</u>	<u>\$ (48,839,033)</u>	<u>\$ 4,946,891</u>

CITY OF INDEPENDENCE, MISSOURI

Notes to Budgetary Comparison Schedules

Year ended June 30, 2005

(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.

CITY OF INDEPENDENCE, MISSOURI
Required Supplementary Information (Unaudited)

Budgetary Comparison Schedule

General Fund

Year ended June 30, 2005

	Budgeted amounts		Actual amounts	Variance with final budget over (under)
	Original	Final	(budget basis)	
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	<u>—</u>
Total revenues as reported on the combined statement of revenues, expenditures, and changes in fund balances – governmental funds	<u>\$ 48,665,197</u>
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	<u>977,668</u>
Total expenditures as reported on the combined statement of revenues, expenditures, and changes in fund balances – governmental funds (GAAP basis)	<u>\$ 59,483,201</u>

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

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	\$ <u>4,612,813</u>
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)	<u>15,122</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ <u>10,058,723</u>

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

CITY OF INDEPENDENCE, MISSOURI
Required Supplementary Information (Unaudited)
Schedule of Funding Progress and Employer Contributions
Retirement Plan

Schedule of Funding Progress:

<u>Actuarial valuation date</u>		<u>(a) Actuarial value of assets</u>	<u>(b) Entry-age actuarial accrued liability</u>	<u>(b) – (a) Unfunded (assets in excess of) accrued liability (UAL)</u>	<u>(a)/(b) Funded ratio</u>	<u>(c) Annual covered payroll</u>	<u>(b) – (a)/(c) UAL as a percentage of covered payroll</u>
February 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:

		<u>Annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation</u>
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.

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	<u>\$ 33,467,972</u>	<u>3,532,550</u>	<u>13,616</u>	<u>1,598,716</u>	<u>38,612,854</u>
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	<u>2,833,631</u>	<u>3,631,700</u>	<u>—</u>	<u>1,506,438</u>	<u>7,971,769</u>
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	<u>30,634,341</u>	<u>(99,150)</u>	<u>13,616</u>	<u>92,278</u>	<u>30,641,085</u>
Total liabilities and fund balances	<u>\$ 33,467,972</u>	<u>3,532,550</u>	<u>13,616</u>	<u>1,598,716</u>	<u>38,612,854</u>

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

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

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

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	—	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:	—	—	—	—	36,271	—	—	36,271
Principal	—	—	—	—	1,275	—	—	1,275
Interest and fiscal agent fees	—	—	—	—	—	—	—	—
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.

CITY OF INDEPENDENCE, MISSOURI

Budgetary Comparison Schedule

Tourism Fund

Year ended June 30, 2005

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

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

CITY OF INDEPENDENCE, MISSOURI

Budgetary Basis Reconciliation Schedule

Tourism Fund

Year ended June 30, 2005

	<u>Tourism Fund</u>
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	<u>—</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ <u><u>1,005,106</u></u>
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)	<u>27,932</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	\$ <u><u>827,197</u></u>
(1) Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.	

CITY OF INDEPENDENCE, MISSOURI

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	<u>\$ 9,556,652</u>	<u>9,649,609</u>	<u>3,775,298</u>	<u>5,827,011</u>	<u>28,808,570</u>
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	<u>1,211,434</u>	<u>235,107</u>	<u>17,428</u>	<u>369,399</u>	<u>1,833,368</u>
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	<u>8,345,218</u>	<u>9,414,502</u>	<u>3,757,870</u>	<u>5,457,612</u>	<u>26,975,202</u>
Total liabilities and fund balances	<u>\$ 9,556,652</u>	<u>9,649,609</u>	<u>3,775,298</u>	<u>5,827,011</u>	<u>28,808,570</u>

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

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	<u>5,779,566</u>	<u>4,197,930</u>	<u>893,769</u>	<u>1,663,262</u>	<u>12,534,527</u>
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	<u>4,711,620</u>	<u>3,155,482</u>	<u>1,275,571</u>	<u>652,726</u>	<u>9,795,399</u>
Excess (deficiency) of revenues over expenditures	<u>1,067,946</u>	<u>1,042,448</u>	<u>(381,802)</u>	<u>1,010,536</u>	<u>2,739,128</u>
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)	<u>5,011,106</u>	<u>(927)</u>	<u>4,139,672</u>	<u>4,447,076</u>	<u>13,596,927</u>
Net change in fund balances	<u>6,079,052</u>	<u>1,041,521</u>	<u>3,757,870</u>	<u>5,457,612</u>	<u>16,336,055</u>
Fund balances, beginning	<u>2,266,166</u>	<u>8,372,981</u>	<u>—</u>	<u>—</u>	<u>10,639,147</u>
Fund balances, ending	<u>\$ 8,345,218</u>	<u>9,414,502</u>	<u>3,757,870</u>	<u>5,457,612</u>	<u>26,975,202</u>

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

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.

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.

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.

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.

CITY OF INDEPENDENCE, MISSOURI

Combining Statement of Cash Flows

Internal Service Funds

Year ended June 30, 2005

	Internal Service Funds			Total (Exhibit 7)
	Central Garage	Employee Benefits	Staywell Health Care	
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

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

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

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

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)
	<u> </u>
Additions:	
Charges for services	\$ 20,985
Interest	<u>1,395</u>
Total additions	<u>22,380</u>
Deductions:	
Community development	<u>19,955</u>
Total deductions	<u>19,955</u>
Change in net assets	2,425
Net assets, beginning	<u>52,605</u>
Net assets, ending	<u><u>\$ 55,030</u></u>

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

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	—
	<u>\$ 38,339</u>	<u>466,118</u>	<u>492,727</u>	<u>11,730</u>
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
	<u>\$ 24,365</u>	<u>8,700</u>	<u>1,960</u>	<u>31,105</u>
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
	<u>\$ 62,704</u>	<u>76,711</u>	<u>96,580</u>	<u>42,835</u>
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
	<u>\$ 62,704</u>	<u>473,493</u>	<u>493,362</u>	<u>42,835</u>

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	<u>\$ 814,132</u>	<u>166</u>	<u>2,051,577</u>	<u>1,630,506</u>	<u>—</u>	<u>3,359,779</u>
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	<u>—</u>	<u>5,092</u>	<u>1,425</u>	<u>—</u>	<u>17</u>	<u>110,277</u>
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)	<u>814,132</u>	<u>(4,926)</u>	<u>2,050,152</u>	<u>1,630,506</u>	<u>(17)</u>	<u>3,249,502</u>
Total liabilities and fund balances (deficit)	<u>\$ 814,132</u>	<u>166</u>	<u>2,051,577</u>	<u>1,630,506</u>	<u>—</u>	<u>3,359,779</u>

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	<u>374,069</u>	<u>81,304</u>	<u>1,174,954</u>	<u>91,968</u>	<u>6,994</u>	<u>1,732,212</u>
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	<u>247,222</u>	<u>877</u>	<u>1,026,890</u>	<u>699,069</u>	<u>11,448</u>	<u>3,041,686</u>
Excess (deficiency) of revenues over expenditures	<u>126,847</u>	<u>80,427</u>	<u>148,064</u>	<u>(607,101)</u>	<u>(4,454)</u>	<u>(1,309,474)</u>
Other financing sources:						
Proceeds from capital leases/bond issuance	—	—	—	—	—	—
Payments from primary government	—	—	—	24,722	—	—
Total other financing sources	<u>—</u>	<u>—</u>	<u>—</u>	<u>24,722</u>	<u>—</u>	<u>—</u>
Net change in fund balances	<u>126,847</u>	<u>80,427</u>	<u>148,064</u>	<u>(582,379)</u>	<u>(4,454)</u>	<u>(1,309,474)</u>
Fund balances (deficit), beginning	<u>687,285</u>	<u>(85,353)</u>	<u>1,902,088</u>	<u>2,212,885</u>	<u>4,437</u>	<u>4,558,976</u>
Fund balances (deficit), ending	<u>\$ 814,132</u>	<u>(4,926)</u>	<u>2,050,152</u>	<u>1,630,506</u>	<u>(17)</u>	<u>3,249,502</u>

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 increase 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

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

CITY OF INDEPENDENCE, MISSOURI
Schedule of Operating Statistics – Power and Light Fund
Year ended June 30, 2005

	Number of customers		Revenue	KWH
	Beginning of year	End of year		
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
	<u>55,648</u>	<u>56,086</u>	<u>78,542,065</u>	<u>1,042,481,936</u>
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
	<u>12,597</u>	<u>12,788</u>	<u>1,210,948</u>	<u>10,564,648</u>
Increase in unbilled revenue			1,924,153	14,313,132
Other operating revenue			915,128	
Total operating revenue and total energy sales			\$ <u>82,592,294</u>	<u>1,067,359,716</u>
Net generation				366,647,232
Wholesale power purchased				759,833,324
Unintentional interchange				48,000
Net generation and power purchased				<u>1,126,528,556</u>
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				<u>1,068,713,312</u>
Transmission and distribution operating losses				\$ <u>57,815,244</u>

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

CITY OF INDEPENDENCE, MISSOURI
Schedule of Operating Statistics – Water Fund
Year ended June 30, 2005

	Number of customers		Revenue	MGS*
	Beginning of year	End of year		
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	—
	<u>47,324</u>	<u>47,892</u>	16,706,630	<u>9,266,430</u>
Increase in unbilled revenue			85,953	
Other operating revenue			<u>287,467</u>	
Total operating revenue			\$ <u>17,080,050</u>	
Thousands of gallons pumped:				
Courtney Bend Plant				10,582,319
Less total sales				<u>9,266,430</u>
Unaccounted for water				<u>1,315,889</u>

* Thousand gallons sold.

CITY OF INDEPENDENCE, MISSOURI

Schedule of Operating Statistics – Sanitary Sewer Fund

Year ended June 30, 2005

	Number of customers		Revenue	CCF*
	Beginning of year	End of year		
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	—
	<u>43,618</u>	<u>44,064</u>	13,839,125	<u>4,844,830</u>
Other operating revenue			115,597	
Increase in unbilled revenue			<u>21,058</u>	
Total operating revenue			<u>\$ 13,975,780</u>	

* Hundred cubic feet.

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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.”

Table 1

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

a) Represents General Fund, Special Revenue Funds and Capital Project Funds. Excludes transfers.
 *Change in presentation. Does not include Component Unit/Tax Increment Financing as in prior years.

Table 2

City of Independence, Missouri
General Governmental Revenue by Source

<i>Total (a)</i>	<i>Taxes & In Lieu of Taxes (b)</i>	<i>License & Permits</i>	<i>Intergovern- mental</i>	<i>Charges for Services</i>	<i>Intragovern- mental (c)</i>	<i>Fines & Forfeitures</i>	<i>Interest</i>	<i>Other (d)</i>
1996	46,918,647	31,417,798	1,891,026	7,700,165	494,402	2,828,007	1,602,145	543,743
1997	48,977,851	33,392,131	2,299,681	6,937,808	569,820	2,895,953	1,903,081	499,416
1998	55,171,738	36,672,503	2,325,055	9,260,166	638,955	2,749,077	2,409,688	603,952
1999	60,902,834	40,251,255	2,476,897	10,913,472	796,030	3,070,849	2,666,064	425,256
2000	72,149,590	46,629,545	2,928,678	13,815,850	1,359,698	2,889,644	2,997,092	844,469
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
2002	84,240,680	54,521,441	3,957,533	16,012,619	1,494,189	2,791,637	3,199,906	757,872
2003	79,483,053	56,496,560	4,315,628	9,902,274	1,519,823	2,704,534	3,502,074	381,438
2004	83,659,336	58,836,592	4,951,856	10,091,764	1,569,283	2,767,631	3,219,276	571,402
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.

Table 2A

City of Independence, Missouri
General Governmental Tax Revenues by Source

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

Includes General, Special Revenue, and TIF funds.

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

Table 3

City of Independence, Missouri
General Fund, Public Health & Recreation, Debt Service
Property Tax Levies and Collections

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

Table 4

City of Independence, Missouri

Assessed and Estimated Actual Values of Taxable Property

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

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

Table 5

City of Independence, Missouri
Property Tax Rates - All Direct and Overlapping Governments

For Assessed Valuations 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
	<u>\$0.57</u>

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

NOTE 1): Taxes are due November 1, delinquent after December 31. A penalty of 1% per month, up to a maximum of 10% is added for each month of delinquency. Collections are enforced through the attachment and sale of the property.

NOTE 2): Commercial real property is also assessed an additional "replacement tax" of 1.437 per \$100 assessed value.

Table 6

City of Independence, Missouri

Special Assessment Collections

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

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

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

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

Table 7

City of Independence, Missouri
Ratio of Net General Bonded Debt to Assessed Value
and Net Bonded Debt per Capita

<i>Year Ended June 30,</i>	<i>Estimated Population</i>	<i>Assessed Value</i>	<i>General Obligation Bonded Debt</i>	<i>Less Debt Service Funds</i>	<i>Net Bonded Debt</i>	<i>Ratio of Net Bonded Debt to Assessed Value</i>	<i>Net Bonded Debt Per Capita</i>
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
	<u>\$1,294,345,907</u>

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	<u>92,278</u>	
	<u>\$ 63,061,886</u>	

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 construction of waterworks, electric or other light plants provided the total general obligated indebtedness of the city does not exceed 20 percent of the assessed valuation.

Table 9

City of Independence, Missouri **Computation of Direct and Overlapping Debt**

June 30, 2005

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

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 Requirement:	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Interest and Agent Fees	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Debt Service	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total General Governmental Expenditures (a)	\$47,963,641	\$49,172,040	\$53,522,757	\$66,380,643	\$79,366,650	\$90,042,052	\$98,020,507	\$83,337,998	\$89,469,435	\$88,369,177
Ratio of Debt Service to General Governmental Expenditures	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

Table 11

City of Independence, Missouri
Revenue Bond Coverage - Power & Light Revenue Bonds

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

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

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

Table 12

City of Independence, Missouri

Revenue Bond Coverage - Water Revenue Bonds

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

(1) Excludes Depreciation, Interest Expense, Amortization, Nonoperating Expenses and Payments in Lieu of Taxes

(2) Excludes \$6,050,000 reduction of debt due to remarketing.

(3) Numbers displayed are in accordance with NARUC accounting.

Table 13

City of Independence, Missouri
Revenue Bond Coverage - Sanitary Sewer Revenue Bonds

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

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

Table 14

City of Independence, Missouri

Demographic Statistics

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

Source:

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

Table 15

City of Independence

Construction Permits

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

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

Table 16

City of Independence Missouri

Principal Property Taxpayers

June 30, 2005

<i>Taxpayer</i>	<i>Type of Business</i>	<i>2004 Assessed Valuation (1)</i>	<i>Percent of Total Assessed Valuation</i>
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		<u>\$69,461,553</u>	<u>5.37</u>
Taxpayers not listed		1,224,884,354	94.63
TOTAL		<u><u>\$1,294,345,907</u></u>	<u><u>100.00 %</u></u>

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

City of Independence, Missouri

Miscellaneous Statistical Data

June 30, 2005

Governmental Structure

Date of Organization:	1827	Current Statistics:	
Date of Incorporation:	1849	Population	111,230
Charter Adopted:	December 5, 1961	Households	47,390
Form of Government:	Council/Manager	Registered Voters	69,448
Current Number of Employees	1,170		

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

No. of Rooms	16
	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

Table 18

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

City of Independence
Schedule of Insurance
June 30, 2005

<i>Description</i>	<i>Policy Number</i>	<i>Termination Date</i>	<i>Risk Covered</i>	<i>Limits</i>	<i>Premium</i>
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 coverage 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.

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**UNAUDITED FINANCIAL INFORMATION
FOR THE CITY OF INDEPENDENCE, MISSOURI
FOR FISCAL YEAR ENDED JUNE 30, 2006**

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Table 1

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

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

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

Table 2

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

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

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

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

Table 3

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

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

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

Table 4

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

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenues										
Taxes	\$ 25,850,597	28,676,729	31,932,412	38,199,482	43,719,249	45,709,622	47,109,855	49,123,780	47,360,251	52,295,777
Licenses, fees and permits	2,299,681	2,325,055	2,476,897	2,928,678	3,532,316	3,957,533	4,315,628	4,951,856	4,670,617	5,073,944
Intergovernmental	6,937,808	9,260,166	10,913,472	13,815,850	10,643,440	16,012,619	9,902,274	10,091,764	13,013,181	21,762,714
Charges for services	584,241	652,381	815,537	1,377,717	1,682,455	1,494,189	1,519,823	1,569,283	2,023,297	2,926,800
Interfund charges for support services	2,895,953	2,745,077	3,070,849	2,889,644	2,757,884	2,791,637	2,704,534	2,767,631	2,700,215	2,949,682
Fines, forfeitures, and court costs	1,903,081	2,409,688	2,666,064	2,997,092	3,010,798	3,199,906	3,502,074	3,219,276	3,521,377	4,023,981
Investment earnings	503,872	608,123	430,556	852,855	1,570,953	757,872	381,436	571,402	901,209	1,309,569
Other	449,695	448,323	266,960	667,564	561,284	1,337,102	649,613	1,619,995	1,260,113	493,127
Total revenues	<u>41,424,928</u>	<u>47,129,542</u>	<u>52,572,747</u>	<u>63,728,882</u>	<u>67,478,379</u>	<u>75,260,480</u>	<u>70,085,237</u>	<u>73,914,987</u>	<u>75,450,260</u>	<u>90,835,594</u>
Expenditures										
Administrative services	5,119,322	5,354,047	5,628,079	6,021,065	6,343,908	6,477,775	6,542,594	6,593,368	6,618,488	6,897,346
Public safety	25,234,599	24,506,015	28,603,191	30,360,187	29,136,004	31,290,454	32,088,292	32,271,567	35,462,979	38,976,460
Public works	5,346,312	5,374,067	6,847,093	5,976,941	6,867,407	6,227,171	6,251,537	6,035,389	5,930,041	6,586,771
Health and welfare	948,268	1,089,234	1,214,950	1,175,739	1,292,388	2,193,035	2,300,201	2,395,294	2,419,833	2,614,557
Culture and recreation	1,762,330	2,008,489	2,480,903	3,465,943	4,017,361	2,973,715	3,552,903	3,752,185	4,048,187	4,628,228
Community development	925,282	3,667,407	1,500,797	1,476,358	4,022,061	3,515,626	3,242,153	3,446,574	3,278,951	3,712,454
Storm water	-	-	-	-	-	815,654	990,671	820,703	1,180,789	1,141,595
General government	3,821,673	4,106,742	5,094,621	4,204,337	4,750,611	10,794,758	6,147,462	6,964,846	7,123,861	6,678,208
Capital outlay	4,569,092	5,998,892	13,282,127	22,365,404	28,716,658	29,255,681	17,123,501	20,481,873	21,040,394	33,296,700
Debt service	-	-	-	-	-	-	-	-	-	-
Principal	866,156	844,289	950,267	3,398,532	3,001,233	1,740,531	2,164,932	3,554,106	1,019,196	3,230,099
Interest	594,174	588,694	802,889	1,036,447	1,917,662	2,736,107	2,933,752	3,153,530	246,458	996,600
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Total expenditures	<u>49,187,208</u>	<u>53,537,876</u>	<u>66,404,917</u>	<u>79,480,953</u>	<u>90,065,293</u>	<u>98,020,507</u>	<u>83,337,998</u>	<u>89,469,435</u>	<u>88,369,177</u>	<u>108,759,018</u>
Excess of revenues over (under) expenditures	(7,762,280)	(6,408,334)	(13,832,170)	(15,752,071)	(22,586,914)	(22,760,027)	(13,252,761)	(15,554,448)	(12,918,917)	(17,923,424)
Other Financing Sources (Uses)										
Transfers in	520,622	866,738	1,371,913	1,696,776	809,418	1,686,134	1,817,327	651,553	222,429	1,724,648
Transfers out	(632,225)	(1,082,329)	(1,261,630)	(1,719,652)	(876,333)	(1,836,219)	(1,870,055)	(809,637)	(362,921)	(1,181,579)
Issuance of debt	419,069	-	7,494,074	18,663,971	14,940,720	13,437,830	3,516,885	11,096,464	20,748,448	-
Premiums/Discounts on debt issued	-	-	-	-	-	-	-	-	-	-
Transfers in - utility payments in lieu of taxes	7,541,534	7,995,774	8,318,843	8,430,063	9,507,367	8,811,819	9,386,705	9,712,812	10,179,317	12,624,861
Payments to component unit	-	-	-	-	-	-	-	-	(24,722)	-
Sale of capital assets	50,266	64,279	44,245	63,838	44,659	168,381	11,109	31,537	56,379	303,255
Total other financing sources (uses)	<u>7,899,266</u>	<u>7,844,462</u>	<u>15,967,445</u>	<u>27,134,996</u>	<u>24,425,831</u>	<u>22,267,945</u>	<u>12,861,971</u>	<u>20,682,729</u>	<u>30,818,930</u>	<u>13,471,185</u>
Net change in fund balances	<u>\$ 136,980</u>	<u>1,436,128</u>	<u>2,135,275</u>	<u>11,362,925</u>	<u>1,838,917</u>	<u>(492,082)</u>	<u>(390,790)</u>	<u>5,128,281</u>	<u>17,900,013</u>	<u>(4,452,239)</u>
Debt service as a percentage of non capital expenditures	3.10%	2.76%	2.74%	6.05%	5.77%	5.37%	7.18%	8.80%	1.95%	5.76%

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

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

Table 5

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

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

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

Source: Missouri Department of Revenue

Table 6

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

Direct Sales Tax Rate City of Independence	1999	2000	2001	2002	2003	2004	2005	2006
General Fund	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Street Improvements	0.000	0.375	0.375	0.375	0.375	0.375	0.375	0.375
Park Improvements	0.000	0.125	0.125	0.125	0.125	0.125	0.250	0.250
Storm Water Improvements	0.000	0.000	0.000	0.250	0.250	0.250	0.250	0.250
Police Public Safety	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.125
Fire Public Safety	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.250
Transportation Development District	0.000	0.000	0.000	0.000	0.125	0.125	0.125	0.125
Total Direct Sales Tax Rate	1.000	1.500	1.500	1.750	1.875	1.875	2.000	2.375
Total Local Option Sales Tax Rate	4.000	4.000	4.000	4.000	4.000	4.000	4.000	4.000
State of Missouri	0.125	0.125	0.125	0.125	0.125	0.125	0.125	0.125
Mo. State Conservation	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100
Mo. State Parks and Soil	0.875	0.875	0.875	0.875	0.750	0.750	0.750	0.750
Jackson County	1.000	1.500	1.500	1.750	1.875	1.875	2.000	2.375
City of Independence								
Total Direct and Overlapping Sales Tax Rate	6.100	6.600	6.600	6.850	6.850	6.850	6.975	7.350

Source: Missouri Department of Revenue

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

Table 7

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

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

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

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

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

Table 8

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

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

Notes:

1 The General Fund and Public Health & Recreation Fund levy rates are limited by Missouri Statutes to \$1.00 and \$.40 per \$100.00 assessed valuation. There is no limit on the levy rates for General Debt and Interest.

2 County Tax Breakdown for Current Year:

Health & Welfare Fund	0.16
General Fund	0.16
Road & Bridge Fund	0.14
Park Fund	0.09
Mid-Continent Public Library	0.32
Handicap	0.08
Mental Health	0.12
Total County	<u>1.06</u>

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

Fort Osage Reorganized #1	4.959
Blue Springs Reorganized #4	5.389
Kansas City School District	4.950

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

Table 9

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

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

Source: Jackson County Collection Department

Table 10

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

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

Table 12

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

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

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

1 See Table 7 for property value data.

2 See Table 16 for population data.

Table 13

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

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

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

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

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

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

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Debt Limit (1)	\$ 177,069,709	178,681,073	183,019,621	195,585,654	208,557,293	215,035,648	234,498,374	239,548,507	258,869,181	263,980,502
Total net debt applicable to limit	-	-	-	-	-	-	-	-	948,722	-
Legal Debt Margin	\$ 177,069,709	178,681,073	183,019,621	195,585,654	208,557,293	215,035,648	234,498,374	239,548,507	257,920,459	263,980,502
Total net debt applicable to the limit as a percentage of debt limit	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%	0.366%	0.000%

Legal Debt Margin Calculation for Fiscal Year 2006

Assessed Value	\$ 1,319,902,510
Debt Limit (20% of assessed value)	263,980,502
General obligation:	
City-Wide	-
Neighborhood Improvement Districts	-
Revenue Bonds	55,326,323
Total Bonded Debt	55,326,323
Less:	
Water Utility Bonds	40,550,000
Electric Utility Bonds	14,776,323
Debt Service Fund Balance	-
Total net debt applicable to limit	-
Legal debt margin	\$ 263,980,502

1 Article 6, Section 26(b) of the Missouri Constitution permits any county or city, by vote of four-sevenths of qualified electors voting thereon, to incur an indebtedness to 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 taxable tangible property for the purpose of acquiring right-of-ways, constructing, extending and improving streets and avenues and/or sanitary or storm sewer systems and an additional 10 percent for purchasing or construction of waterworks, electric or other light plants provided the total general obligated indebtedness of the city does not exceed 20 percent of the assessed valuation.

Table 15

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

Fiscal Year	Revenues		Less: Operating Expenses (1)		Net Available Revenue		Debt Service		Coverage			
							Principal	Interest (2)				
Power & Light (3)												
1997	\$	61,774,504	\$	41,624,569	\$	20,149,935	\$	1,045,000	\$	2,208,240	\$	6.19
1998		67,552,096		44,766,098		22,785,998		1,115,000		2,134,615		7.01
1999		69,173,245		46,068,740		23,104,505		1,090,000		2,005,463		7.46
2000		70,349,124		50,390,860		19,958,264		1,535,000		1,384,760		6.84
2001		81,965,004		57,618,481		24,346,523		1,595,000		1,308,835		8.38
2002		73,930,488		52,142,313		21,788,175		1,675,000		1,243,860		7.46
2003		77,932,974		56,701,449		21,231,525		1,740,000		1,164,512		7.31
2004		82,265,717		61,851,943		20,413,774		1,745,000		983,448		7.48
2005		84,020,908		64,452,736		19,568,172		1,855,000		921,038		7.05
2006		100,254,630		75,369,477		24,885,153		1,925,000		855,273		8.95
Water (2) (3)												
1997	\$	15,342,158	\$	8,547,276	\$	6,794,882	\$	750,000	\$	1,557,884	\$	2.94
1998		15,814,097		8,162,749		7,651,348		800,000		1,555,705		3.25
1999		15,400,654		9,664,783		5,735,871		900,000		1,510,313		2.38
2000		16,656,302		9,656,336		6,999,966		850,000		1,596,133		2.86
2001		16,267,295		10,018,126		6,249,169		900,000		1,561,920		2.54
2002		16,068,944		10,199,624		5,869,320		985,000		1,527,809		2.34
2003		16,348,365		10,788,334		5,560,031		1,070,000		1,489,510		2.17
2004		16,907,411		10,718,853		6,188,558		1,200,000		1,449,060		2.34
2005		17,928,618		11,096,626		6,831,992		1,285,000		2,014,517		2.07
2006		19,285,620		12,300,943		6,984,677		1,905,000		2,053,730		1.76
Sanitary Sewer												
1997	\$	11,949,809	\$	7,924,753	\$	4,025,056	\$	-	\$	-	\$	-
1998		12,397,234		7,699,724		4,697,510		-		-		-
1999		13,208,379		8,504,860		4,703,519		-		-		-
2000		13,463,695		8,477,466		4,986,229		-		-		-
2001		13,852,358		8,893,489		4,958,869		-		-		-
2002		13,100,624		8,900,009		4,200,615		-		-		-
2003		12,946,774		9,453,484		3,493,290		-		-		-
2004		13,549,180		9,243,252		4,305,928		-		-		-
2005		14,272,438		10,017,560		4,254,878		-		-		-
2006		14,850,445		10,400,801		4,449,644		-		-		-

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

(1) Operating expenses excludes depreciation, interest expense, amortization, non-operating expenses, and payments in lieu of taxes.

(2) Interest for the Water Revenue Bonds excludes \$6,050,000 reduction of debt due to remarketing.

(3) Numbers displayed for Power and Light are in accordance with FERC accounting. Numbers displayed for Water are in accordance with NARUC accounting.

Table 16

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

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

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

Note: The information for 2006 is an estimate.

Table 17

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

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

Note: The oldest information that we have is from 7 years ago instead of 9 years ago.

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

Table 18

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

Function/Program	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government										
City council office	12.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00	10.00	10.00
City clerk	7.00	7.00	7.00	7.00	7.00	7.00	7.00	6.50	6.50	6.00
City manager	5.00	9.38	10.50	11.50	11.00	10.00	10.00	8.50	7.00	7.50
National Frontiers Trails Museum	6.55	6.55	6.55	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Technology services	21.00	21.00	21.00	21.00	21.00	20.00	20.00	20.00	20.00	20.00
Municipal court	13.00	12.00	12.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00
Law - General fund	6.00	6.00	6.00	6.00	6.00	6.00	6.00	5.50	5.50	5.75
Law - Grants fund	-	-	-	-	-	-	-	-	0.50	0.50
Finance	25.00	25.00	25.00	25.00	25.00	25.00	25.00	24.00	24.00	25.00
Human resources	6.00	6.00	6.50	6.50	7.50	7.50	7.50	7.50	7.50	7.50
Public Safety										
Police - General fund	255.00	260.00	264.00	269.00	275.00	274.00	275.00	275.00	277.00	281.50
Police - Grants fund	-	-	-	-	-	-	-	-	15.00	12.00
Fire - General fund	173.00	173.00	174.00	174.00	174.00	174.00	174.00	174.00	173.25	173.25
Fire - Grants fund	-	-	-	-	-	-	-	-	0.75	0.75
Public Works										
Public Works	86.50	87.90	87.73	87.90	89.90	88.90	87.90	82.00	81.00	82.00
Health and Welfare										
General fund	27.74	25.74	28.49	28.49	27.24	38.13	39.69	39.47	33.50	34.25
Grant fund	-	-	-	-	-	-	-	-	5.50	6.00
Culture and Recreation										
General fund	39.15	39.15	41.10	41.70	41.70	41.70	43.79	42.14	41.70	36.70
Tourism fund	3.10	3.73	3.40	3.40	3.40	3.41	3.41	3.41	4.41	4.41
Park Improvement Sales Tax fund	-	-	-	2.99	7.00	5.00	5.00	8.61	11.59	12.59
Community Development										
General fund	28.00	28.00	30.00	31.00	35.00	23.00	23.00	22.00	22.00	26.00
Community Dev Block Grant fund	4.50	4.50	4.50	4.50	3.50	3.00	3.00	3.00	3.00	3.00
HOME Program fund	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Storm Water										
Water Poll Control - General Fund	-	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Storm Water Sales Tax fund	-	-	-	-	-	9.00	7.00	7.00	8.00	8.00
Storm Water fund	5.00	-	-	-	-	-	-	-	-	-
Power and Light										
Technology Services - General Fund	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Power and Light	220.00	220.00	220.00	220.00	220.00	220.00	220.00	220.00	220.00	220.00
Water										
City Manager - General fund	-	-	1.50	1.50	1.50	1.50	1.50	1.50	-	-
Finance - General fund	-	-	-	-	-	-	-	-	1.00	1.00
Water	106.48	101.48	98.48	98.48	98.48	97.48	97.48	97.48	97.48	98.48
Sewer										
Public Works - General fund	-	-	-	-	-	-	-	-	1.00	1.00
Water Pollution Control	72.50	72.50	72.50	71.50	73.50	72.00	72.00	69.00	70.00	70.00
Central Garage fund	11.00	10.00	10.00	10.00	10.00	10.00	10.00	9.00	9.00	9.00
Total	<u>1,135.52</u>	<u>1,137.93</u>	<u>1,148.75</u>	<u>1,158.46</u>	<u>1,174.72</u>	<u>1,173.62</u>	<u>1,175.27</u>	<u>1,162.61</u>	<u>1,182.18</u>	<u>1,188.18</u>

Table 19

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

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APPENDIX C

DEFINITIONS OF WORDS AND TERMS AND SUMMARIES OF CERTAIN LEGAL DOCUMENTS

“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 2006F Bonds.

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

“Bond” or **“Bonds”** means the Series 2006F 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 to be paid out of proceeds of the Series 2006F Bonds with respect to the Project, including the total of all reasonable or necessary expenses incidental to the acquisition, construction, renovation and equipping of the Project, all other necessary and incidental expenses, including interest during construction on Bonds issued to finance the Project to a date subsequent to the estimated date of completion thereof, and any other costs permitted by the Act .

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

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

“Debt Service Reserve Fund Requirement” means (i) with respect to the Series 2006F Bonds, an amount equal to \$424,912.50, (ii) with respect to Additional Bonds issued on a parity with the Series 2006F Bonds, a sum equal to the least of (A) **10%** of the original aggregate principal amount of such Additional Bonds, (B) the maximum annual debt service on such Additional Bonds in any future fiscal year following such date, or (C) **125%** of the average future annual debt service on such Additional Bonds, and (iii) with respect to any Additional Bonds that are entitled to the benefit of a reserve fund, the amount, if any, specified in the Supplemental Bond Indenture authorizing the issuance of said Additional Bonds.

“Defeasance Obligations” means:

- (a) Government Obligations which are not subject to redemption prior to maturity; or
- (b) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with Government Obligations); or

“Government Obligations” means the following:

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

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

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

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

- (1) Bonds theretofore cancelled by the Trustee or delivered to the Trustee for cancellation as provided in the Indenture;
- (2) Bonds for whose payment or redemption money or Government Obligations in the necessary amount has been deposited with the Trustee or any Paying Agent in trust for the owners of such Bonds as provided in the Indenture, provided that, if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefor satisfactory to the Trustee has been made;
- (3) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under the Indenture; and
- (4) Bonds alleged to have been destroyed, lost or stolen which have been paid as provided in the Indenture.

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

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

- (1) cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (2) below);
- (2) direct obligations of (including obligations issued or held in book entry form on the books of) the Department of Treasury of the United States of America;

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

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

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

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

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

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

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

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

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

(B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally

recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate; provided, however, that Pre-refunded Municipal Obligations meeting the requirements of this subsection (B) may not be used as Permitted Investments without the prior written approval of Standard & Poor's.

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

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

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

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

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

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

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

* * *

SUMMARY OF THE BOND TRUST INDENTURE

Except as otherwise noted, the following definitions and summary of the Indenture relates to the Series 2006F Bonds. The Bonds of each Series are separately secured. The Indenture for the Series 2006D and Series 2006E Bonds are substantially similar to the Indenture and Financing Agreement summarized below, except as otherwise noted. The summary of the Continuing Disclosure Agreement relates to all three Series of Bonds.

The following is a summary of certain provisions contained in the Series 2006F Indenture. The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Series 2006F Indenture for a complete recital of the terms thereof.

Trust Estate

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

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

- (a) All rights, title and interest of the Board (including, but not limited to, the right to enforce any of the terms thereof) in, to and under (1) the Financing Agreement, including, without limitation, all Loan Payments and other payments to be received by the Board and paid by the City under and pursuant to and subject to the provisions of the Financing Agreement (except the Board's rights to payment of its fees and expenses and to indemnification as set forth in the Financing Agreement and as otherwise expressly set forth therein), and (2) all financing statements or other instruments or documents evidencing, securing or otherwise relating to the loan of the proceeds of the Bonds; and
- (b) All moneys and securities (except moneys and securities held in the Rebate Fund) from time to time held by the Trustee under the terms of the Indenture; and
- (c) Any and all other property (real, personal or mixed) of every kind and nature from time to time, by delivery or by writing of any kind, pledged, assigned or transferred as and for additional security under the Indenture by the Board or by anyone in its behalf or with its written consent, to the Trustee, which is 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 (Series 2006F Bonds only)

Additional Bonds may be issued under and equally and ratably secured by the Indenture on a parity (except as otherwise provided in the Indenture) with the Series 2006F Bonds and any other Additional Bonds at any time and from time to time, upon compliance with the conditions set forth in the Indenture and in the Financing Agreement, for any purpose authorized under the Act.

Before any Additional Bonds are issued under the provisions of this Section, the Board shall adopt a resolution (1) authorizing the issuance of such Additional Bonds, fixing the principal amount thereof and describing the purpose or purposes for which such Additional Bonds are being issued, (2) authorizing the

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

Such Additional Bonds shall have the same general title as the Series 2006F Bonds, except for an identifying series letter or date, and shall be dated, shall mature on such dates, shall be numbered, shall bear interest at such rates not exceeding the maximum rate then permitted by law payable at such times, and shall be redeemable at such times and prices, all as provided by the Supplemental Indenture authorizing the issuance of such Additional Bonds. Except as to any difference in the date, the maturities, the rates of interest or the provisions for redemption.

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

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

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

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

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

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

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

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

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

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

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

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

Creation of Funds and Accounts

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 - Aquatics Facilities Project Fund" (the "Project Fund"), and within such fund separate accounts for each Series of Bonds, initially a "Series 2006 Project Account".

(b) "Missouri Development Finance Board–City of Independence, Missouri – Aquatics Facilities Costs of Issuance Fund" (the "Costs of Issuance Fund"), and within such fund separate accounts for each Series of Bonds, initially a "Series 2006 Costs of Issuance Account."

(c) "Missouri Development Finance Board–City of Independence, Missouri – Aquatics Facilities Debt Service Fund" (the "Debt Service Fund") and within such fund separate accounts for each Series of Bonds, initially a "Series 2006 Debt Service Account", and within each such account a subaccount for capitalized interest on such Series, if any, initially a "Series 2006 Capitalized Interest Subaccount."

(d) "Missouri Development Finance Board–City of Independence, Missouri – Aquatics Facilities Rebate Fund" (the "Rebate Fund") and within such fund separate accounts for each Series of Bonds, initially a "Series 2006 Rebate Account."

Project Fund

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

If an event of default specified in the Indenture shall have occurred and the Bonds shall have been declared due and payable pursuant to the Indenture, any balance remaining in the Project Fund, other than amounts required to be transferred to the Rebate Fund pursuant to the Indenture, shall without further

authorization be deposited in the Debt Service Fund by the Trustee with advice to the City and to the Board of such action.

Debt Service Fund

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

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

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

Debt Service Reserve Fund (Series 2006F Bonds only)

Moneys in the Debt Service Reserve Fund shall be disbursed and expended by the Trustee, without any further authorization from the City, solely for the payment of the principal of and interest on the Series 2006F Bonds to the extent of any deficiency in the Debt Service Fund for such purposes. The Trustee may disburse and expend moneys from the Debt Service Reserve Fund for such purpose whether or not the amount in the Debt Service Reserve Fund at that time equals the Debt Service Reserve Fund Requirement. If the Trustee disburses or expends moneys from the Debt Service Reserve Fund for the purposes stated in this paragraph, the Trustee shall immediately notify the City of the amount necessary to restore the balance in the Debt Service Reserve Fund to the Debt Service Reserve Fund Requirement, and the Trustee shall direct the City to restore the deficiency in 12 equal monthly payments beginning not later than the first day of the next calendar month.

Rebate Fund

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

Investment of Moneys

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

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

Events of Default

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

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

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

With regard to any alleged default concerning which notice is given to the City under the provisions of this Section, the Board 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 may, and shall, if requested by the owners of not less than **25%** in principal amount of the Bonds Outstanding, by written notice to the Board and the City, declare the principal of all Bonds Outstanding and the interest accrued thereon to be due and payable, and upon any such declaration such principal and interest shall become immediately due and payable.

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

- (a) the Board has deposited with the Trustee a sum sufficient to pay
- (1) all overdue installments of interest on all Bonds,
 - (2) the principal of (and premium, if any, on) any Bonds which have become due otherwise than by such declaration of acceleration and interest thereon at the rate prescribed therefor in the Bonds,
 - (3) interest upon overdue installments of interest at the rate prescribed therefor in the Bonds, and
 - (4) all sums paid or advanced by the Trustee and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and
- (b) all events of default, other than the non-payment of the principal of Bonds which have become due solely by such declaration of acceleration, have been cured or have been waived as provided in the Indenture.

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

Exercise of Remedies by the Trustee

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

- (a) *Right to Bring Suit, Etc.* The Trustee may pursue any available remedy at law or in equity by suit, action, mandamus or other proceeding to enforce the payment of the principal of, premium, if any, and interest on the Bonds Outstanding, including interest on overdue principal (and premium, if any) and on overdue installments of interest, and any other sums

due under the Indenture, to realize on or to foreclose any of its interests or liens under the Indenture or any other Transaction Document, to enforce and compel the performance of the duties and obligations of the Board as set forth in the Indenture and to enforce or preserve any other rights or interests of the Trustee under the Indenture with respect to any of the Trust Estate or otherwise existing at law or in equity.

- (b) *Exercise of Remedies at Direction of Bondowners.* If requested in writing to do so by the owners of not less than **25%** in principal amount of Bonds Outstanding and if indemnified as provided in the Indenture, the Trustee shall be obligated to exercise such one or more of the rights and remedies conferred by the Indenture as the Trustee shall deem most expedient in the interests of the bondowners.
- (c) *Appointment of Receiver.* Upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the bondowners under the Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate, pending such proceedings, with such powers as the court making such appointment shall confer.
- (d) *Suits to Protect the Trust Estate.* The Trustee shall have power to institute and to maintain such proceedings as it may deem expedient to prevent any impairment of the Trust Estate by any acts which may be unlawful or in violation of the Indenture and to protect its interests and the interests of the bondowners in the Trust Estate, including power to institute and maintain proceedings to restrain the enforcement of or compliance with any governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of or compliance with such enactment, rule or order would impair the security under the Indenture or be prejudicial to the interests of the bondowners or the Trustee, or to intervene (subject to the approval of a court of competent jurisdiction) on behalf of the bondowners in any judicial proceeding to which the Board, the City is a party and which in the judgment of the Trustee has a substantial bearing on the interests of the bondowners.
- (e) *Enforcement Without Possession of Bonds.* All rights of action under the Indenture or any of the Bonds may be enforced and prosecuted by the Trustee without the possession of any of the Bonds or the production thereof in any suit or other proceeding relating thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust. Any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and subject to the provisions of the Indenture, be for the equal and ratable benefit of the owners of the Bonds in respect of which such judgment has been recovered.
- (f) *Restoration of Positions.* If the Trustee or any bondowner has instituted any proceeding to enforce any right or remedy under the Indenture by suit, foreclosure, the appointment of a receiver, or otherwise, and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such bondowner, then and in every case the Board, the City, the Trustee and the bondowners shall, subject to any determination in such proceeding, be restored to their former positions and rights under the Indenture, and thereafter all rights and remedies of the Trustee and the bondowners shall continue as though no such proceeding had been instituted.

Limitation on Suits by Bondowners

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

- (a) such owner has previously given written notice to the Trustee of a continuing event of default;
- (b) the owners of not less than **25%** in principal amount of the Bonds Outstanding shall have made written request to the Trustee to institute proceedings in respect of such event of default in its own name as Trustee under the Indenture;
- (c) such owner or owners have offered to the Trustee indemnity as provided in the Indenture against the costs, expenses and liabilities to be incurred in compliance with such request;
- (d) the Trustee for **60** days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and
- (e) no direction inconsistent with such written request has been given to the Trustee during such **60-day** period by the owners of a majority in principal amount of the Outstanding Bonds.

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

Control of Proceedings by Bondowners

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

- (a) to require the Trustee to proceed to enforce the Indenture, either by judicial proceedings for the enforcement of the payment of the Bonds and the foreclosure of the Indenture, or otherwise; and
- (b) to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture, provided that
 - (1) such direction shall not be in conflict with any rule of law or the Indenture,
 - (2) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and
 - (3) the Trustee shall not determine that the action so directed would be unjustly prejudicial to the owners not taking part in such direction.

Application of Moneys Collected

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

- (a) **First:** To the payment of all unpaid amounts due the Trustee under the Indenture;
- (b) **Second:** To the payment of the whole amount then due and unpaid upon the Outstanding Bonds for principal (and premium, if any) and interest, in respect of which or for the benefit of which such money has been collected, with interest (to the extent that such interest has been collected by the Trustee or a sum sufficient therefor has been so collected and payment thereof is legally enforceable at the respective rate or rates prescribed therefor in the Bonds) on overdue principal (and premium, if any) and on overdue installments of interest; and in case such proceeds shall be insufficient to pay in full the whole amount so due and unpaid upon such Bonds, then to the payment of such principal and interest, without any preference or priority, ratably according to the aggregate amount so due; and
- (c) **Third:** To the payment of the remainder, if any, to the Board or to whosoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

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

Resignation and Removal of Trustee

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

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

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

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

Appointment of Successor Trustee

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

Supplemental Indentures without Consent of Bondowners

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

- (a) to correct or amplify the description of any property at any time subject to the lien of the Indenture, or better to assure, convey and confirm unto the Trustee any property subject or required to be subjected to the lien of the Indenture, or to subject to the lien of the Indenture additional property; or
- (b) to add to the conditions, limitations and restrictions on the authorized amount, terms or purposes of issue, authentication and delivery of Bonds or of any series of Bonds, additional conditions, limitations and restrictions thereafter to be observed; or
- (c) to authorize the issuance of any series of Additional Bonds and, make such other provisions as provided in the Indenture; or
- (d) to evidence the appointment of a separate trustee or the succession of a new trustee under the Indenture; or
- (e) to add to the covenants of the Board or to the rights, powers and remedies of the Trustee for the benefit of the owners of all Bonds or to surrender any right or power conferred upon the Board under the Indenture; or
- (f) to cure any ambiguity, to correct or supplement any provision in the Indenture which may be inconsistent with any other provision in the Indenture or to make any other change, with respect to matters or questions arising under the Indenture, which shall not be inconsistent with the provisions of the Indenture, provided such action shall not materially adversely affect the interests of the owners of the Bonds; or

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

Supplemental Indentures with Consent of Bondowners

With the consent of the owners of not less than a majority in principal amount of the Bonds then Outstanding affected by such Supplemental Indenture, the Board and the Trustee may enter into one or more Supplemental Indentures for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of modifying in any manner the rights of the owners of the Bonds under the Indenture; provided, however, that no such Supplemental Indenture shall, without the consent of the owner of each Outstanding Bond affected thereby,

- (a) change the stated maturity of the principal of, or any installment of interest on, any Bond, or reduce the principal amount thereof or the interest thereon or any premium payable upon the redemption thereof, or change any place of payment where, or the coin or currency in which, any Bond, or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption, on or after the redemption date); or
- (b) reduce the percentage in principal amount of the Outstanding Bonds, the consent of whose owners is required for any such Supplemental Indenture, or the consent of whose owners is required for any waiver provided for in the Indenture of compliance with certain provisions of the Indenture or certain defaults under the Financing Agreement and their consequences; or
- (c) modify the obligation of the Board to make payment on or provide funds for the payment of any Bond; or
- (d) modify or alter the provisions of the proviso to the definition of the term "Outstanding"; or
- (e) modify any of the provisions of the Indenture, except to increase any percentage provided thereby or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the owner of each Bond affected thereby; or
- (f) permit the creation of any lien ranking prior to or on a parity with the lien of the Indenture with respect to any of the Trust Estate or terminate the lien of the Indenture on any property at any time subject hereto or deprive the owner of any Bond of the security afforded by the lien of the Indenture.

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

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

Payment, Discharge and Defeasance of Bonds

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

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

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

Satisfaction and Discharge of Indenture

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

- (a) the principal of, premium, if any, and interest on all Bonds has been paid or is deemed to be paid and discharged by meeting the conditions of the Indenture;
- (b) all other sums payable under the Indenture with respect to the Bonds are paid or provision satisfactory to the Trustee is made for such payment;
- (c) the Trustee receives an Opinion of Bond Counsel (which may be based upon a ruling or rulings of the Internal Revenue Service) to the effect that so providing for the payment of any Bonds will not cause the interest on the Bonds to be included in gross income for federal income tax purposes, notwithstanding the satisfaction and discharge of the Indenture; and
- (d) the Trustee receives an Opinion of Counsel to the effect that all conditions precedent in this Section to the satisfaction and discharge of the Indenture have been complied with.
- (e) if such Bonds are to be redeemed or final payment is to occur on a date which is more than 90 days from the date of the deposit under this Section, the Board and the City shall have

received (1) the report of a verification agent acceptable to and addressed to each of them, confirming the mathematical accuracy of the calculations used to determine the sufficiency of the moneys or Defeasance Obligations; and (2) the escrow deposit agreement

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

SUMMARY OF THE FINANCING AGREEMENT

Except as otherwise noted, the following summary of the Financing Agreement relates to the Series 2006F Bonds. The Bonds of each Series are separately secured. The Financing Agreement for the Series 2006D and Series 2006E Bonds are substantially similar to the Indenture and Financing Agreement summarized below, except as otherwise noted. The summary of the Continuing Disclosure Agreement relates to all three Series of Bonds.

The following is a summary of certain provisions contained in the Series 2006F Financing Agreement. The following is not a comprehensive description, however, and is qualified in its entirety by reference to the Series 2006F Financing Agreement for a complete recital of the terms thereof.

Use of Proceeds

The proceeds of the Series 2006F Bonds loaned to the City shall be deposited with the Trustee and shall be administered, disbursed and applied for the purposes and in the manner as provided in the Indenture and in the Financing Agreement.

Loan Payments

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

- (a) *Debt Service Fund -- Interest:* On or before 10:00 a.m. on or before the Business Day preceding each April 1 and October 1, commencing April 1, 2007, an amount which is not less than the interest to become due on the next interest payment date on the Series 2006F 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 April 1 commencing April 1, 2009, an amount which is not less than the next installment of principal due on the Series 2006F Bonds on the next principal payment date by maturity or mandatory sinking fund redemption; provided, however, that the City may be entitled to certain credits on such payments as permitted under the Financing Agreement.

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

Additional Payments

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

- (a) to the Trustee, when due, all reasonable fees, charges for its services rendered under the Indenture, the Financing Agreement and any other Transaction Documents, and all reasonable expenses (including without limitation reasonable fees and charges of any Paying Agent, bond registrar, counsel, accountant, engineer or other person) incurred in the performance of the duties of the Trustee under the Indenture or the Financing Agreement for which the Trustee and other persons are entitled to repayment or reimbursement;
- (b) to the Trustee, upon demand, an amount necessary to pay rebatable arbitrage in accordance with the Tax Compliance Agreement and the Indenture.
- (c) to the Board, on the Bond Issuance Date, its regular administrative and issuance fees and charges, if any, and all expenses (including without limitation attorney’s fees) incurred by the Board in relation to the transactions contemplated by the Financing Agreement and the Indenture, which are not otherwise to be paid by the City under the Financing Agreement or the Indenture;
- (d) to the appropriate person, such payments as are required (i) as payment for or reimbursement of any and all reasonable costs, expenses and liabilities incurred by the Board or the Trustee or any of them in satisfaction of any obligations of the City under the Financing Agreement that the City does not perform, or incurred in the defense of any action or proceeding with respect to the Project, the Financing Agreement or the Indenture, or (ii) as reimbursement for expenses paid, or as prepayment of expenses to be paid, by the Board or the Trustee and that are incurred as a result of a request by the City, or a requirement of the Financing Agreement and that the City is not otherwise required to pay under the Financing Agreement;
- (e) to the appropriate person, any other amounts required to be paid by the City under the Financing Agreement 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 2% during the period such Additional Payments remain unpaid.

Annual Appropriations

The City intends, on or before the last day of each Fiscal Year, to budget and appropriate, specifically with respect to the Financing Agreement, moneys sufficient to pay all the Loan Payments and reasonably estimated Additional Payments for the next succeeding Fiscal Year. The City shall deliver written notice to the Trustee no later than 15 days after the commencement of its Fiscal Year stating whether or not the City Council has appropriated funds sufficient for the purpose of paying the Loan Payments and Additional Payments reasonably estimated to become due during such Fiscal Year. If the City Council shall have made the appropriation necessary to pay the Loan Payments and reasonably estimated Additional Payments to become due during such Fiscal Year, the failure of the City to deliver the foregoing notice on or before the 15th day after the commencement of its Fiscal Year shall not constitute an Event of Nonappropriation and, on failure to receive such notice 15 days after the commencement of the City’s Fiscal Year, the Trustee shall make independent inquiry of the fact of whether or not such appropriation has been made. If the City Council shall not have made the appropriation necessary to pay the Loan Payments and Additional Payments reasonably estimated to become due during such succeeding Fiscal Year, the failure of the City to deliver the foregoing notice on or before the 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 under the Financing Agreement. The City reasonably believes that legally available funds in an amount sufficient to make all Loan Payments and Additional Payments during each Fiscal Year can be obtained. The City further intends to do all things lawfully within its power to obtain and maintain funds from which the Loan Payments and Additional Payments may be made, including making provision for such Loan Payments and Additional Payments to the extent necessary in each proposed annual budget submitted for approval in accordance with applicable procedures of the City and to exhaust all available reviews and appeals in the event such portion of the budget is not approved. The City's Director of Finance is directed to do all things lawfully within such person's power to obtain and maintain funds from which the Loan Payments and Additional Payments may be paid, including making provision for such Loan Payments and Additional Payments to the extent necessary in each proposed annual budget submitted for approval or by supplemental appropriation in accordance with applicable procedures of the City and to exhaust all available reviews and appeals in the event such portion of the budget or supplemental appropriation is not approved. Notwithstanding the foregoing, the decision to budget and appropriate funds is to be made in accordance with the City's normal procedures for such decisions.

Loan Payments to Constitute Current Expenses of the City

The Board and the City acknowledge and agree that the Loan Payments and Additional Payments shall constitute currently budgeted expenditures of the City, and shall not in any way be construed or interpreted as creating a liability or a general obligation or debt of the City in contravention of any applicable constitutional or statutory limitations or requirements concerning the creation of indebtedness by the City, nor shall anything contained herein constitute a pledge of the general credit, tax revenues, funds or moneys of the City. The City's obligations to pay Loan Payments and Additional Payments under the Financing Agreement shall be from year to year only, and shall not constitute a mandatory payment obligation of the City in any ensuing Fiscal Year beyond the then current Fiscal Year. Neither the Financing Agreement nor the issuance of the Series 2006F Bonds shall directly or indirectly obligate the City to levy or pledge any form of taxation or make any appropriation or make any payments beyond those appropriated for the City's then current Fiscal Year, but in each Fiscal Year Loan Payments and Additional Payments shall be payable solely from the amounts budgeted or appropriated therefor out of the income and revenue provided for such year, plus any unencumbered balances from previous years; provided, however, that nothing herein shall be construed to limit the rights of the owners of the Series 2006F Bonds or the Trustee to receive any amounts which may be realized from the Trust Estate pursuant to the Indenture. Failure of the City to budget and appropriate said moneys on or before the last day of any Fiscal Year shall be deemed an Event of Nonappropriation.

Security for the Loan (Series 2006D Bonds Series 2006E Bonds only)

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

Security for the Loan (Series 2006F Bonds only)

The City's obligations to pay the Loan Payments and Additional Payments shall be limited, special obligations of the City payable solely from, subject to annual appropriation by the City as described above, all general fund revenues of the City and from amounts pledged to secure repayment of the Loan relating to the Series 2006F Bonds in the Special Allocation Fund as provided in the Authorizing Ordinance. The taxing power of the City is not pledged to the payment of the Loan either as to principal or interest. The City's obligation to pay the Loan Payments and Additional Payments shall not constitute general obligations of the City, nor shall they constitute an indebtedness of the City within the meaning of any constitutional, statutory or charter provision, limitation or restriction.

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

Additional Bonds (Series 2006F Bonds only)

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

Financial Statements

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

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

Events of Default and Remedies

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

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

- (c) Failure by the City to observe and perform any covenant, condition or agreement on the part of the City under the Financing Agreement or the Indenture, other than as referred to in the preceding subparagraphs (a) and (b) of this Section, for a period of 30 days after written notice of such default has been given to the City, by the Trustee or the Board during which time such default is neither cured by the City nor waived in writing by the Trustee and the Board, provided that, if the failure stated in the notice cannot be corrected within said 30-day period, the Trustee and the Board may consent in writing to an extension of such time prior to its expiration and the Trustee and the Board will not unreasonably withhold their consent to such an extension if corrective action is instituted by the City within the 30-day period and diligently pursued to completion and if such consent, in their judgment, does not materially adversely affect the interests of the bondowners.
- (d) Any representation or warranty by the City in the Financing Agreement or in any certificate or other instrument delivered under or pursuant to the Financing Agreement or the Indenture or in connection with the financing of the Project shall prove to have been false, incorrect, misleading or breached in any material respect on the date when made, unless waived in writing by the Board and the Trustee or cured by the City, if such representation or warranty can be cured to the satisfaction of the Board and the Trustee within 30 days after notice thereof has been given to the City.

Remedies on Default

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

- (a) By written notice to the City declare the outstanding principal of the Loan to be immediately due and payable, together with interest on overdue payments of principal and redemption premium, if any, and, to the extent permitted by law, interest, at the rate or rates of interest specified in the respective Bonds or the Indenture, without presentment, demand or protest, all of which are expressly waived.
- (b) Take whatever other action at law or in equity is necessary and appropriate to exercise or to cause the exercise of the rights and powers set forth in the Financing Agreement or in the Indenture, as may appear necessary or desirable to collect the amounts payable pursuant to the Financing Agreement then due and thereafter to become due or to enforce the performance and observance of any obligation, agreement or covenant of the City under the Financing Agreement or the Indenture.

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

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

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

The provisions of this Section are subject to the limitation that the annulment of a declaration that the Series 2006F Bonds are immediately due and payable shall automatically constitute an annulment of any corresponding declaration made pursuant to subparagraph (a) of this Section and a waiver and rescission of the consequences of such declaration and of the Event of Default with respect to which such declaration has been made, provided that no such waiver or rescission shall extend to or affect any other or subsequent Default or impair any right consequent thereon. In the event any covenant, condition or agreement contained in the Financing Agreement shall be breached or any Event of Default shall have occurred and such breach or Event of Default shall thereafter be waived by the Trustee, such waiver shall be limited to such particular breach or Event of Default.

No Remedy Exclusive

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

Agreement to Pay Attorneys' Fees and Expenses

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

Board and City to Give Notice of Default

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

Remedial Rights Assigned to the Trustee

Upon the execution and delivery of the Indenture, the Board will thereby have assigned to the Trustee all rights and remedies conferred upon or reserved to the Board by the Financing Agreement, reserving only the Unassigned Board's Rights. Subject to the provisions of the Financing Agreement, the Trustee shall have the exclusive right to exercise such rights and remedies conferred upon or reserved to the Board by the Financing Agreement in the same manner and to the same extent, but under the limitations and conditions imposed thereby and 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, the City may from time to time enter into one or more Supplemental Financing Agreements, for any of the following purposes:

- (a) to subject to the Financing Agreement additional property or to more precisely identify any project financed or refinanced out of the proceeds of any series of Bonds, or to substitute or add additional property thereto; or
- (b) to add to the conditions, limitations and restrictions on the authorized amount, terms or purposes of the Loan, as set forth in the Financing Agreement, additional conditions, limitations and restrictions thereafter to be observed; or
- (c) in connection with the issuance of any Additional Bonds, to make such other provisions as provided in the Financing Agreement; or
- (d) to evidence the succession of another entity to the City and the assumption by any such successor of the covenants of the City contained in the Financing Agreement; or
- (e) to add to the covenants of the City or to the rights, powers and remedies of the Trustee for the benefit of the owners of all or any series of Bonds or to surrender any right or power conferred upon the City; or
- (f) to cure any ambiguity, to correct or supplement any provision which may be inconsistent with any other provision or to make any other provisions, with respect to matters or questions arising under the Financing Agreement, which shall not be inconsistent with the provisions of the Financing Agreement, provided such action shall not adversely affect the interests of the owners of the Bonds.

Supplemental Financing Agreements with Consent of Bondowners

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

- (a) change the stated maturity of the principal of, or any installment of interest on, the Loan, or reduce the principal amount thereof or the interest thereon or any premium payable upon the redemption thereof, or change any place of payment where, or the coin or currency in which, the Loan, or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof (or, in the case of redemption, on or after the redemption date); or
- (b) reduce the percentage in principal amount of the Outstanding Bonds, the consent of whose owners is required for any such Supplemental Financing Agreement, or the consent of whose owners is required for any waiver provided for in the Financing Agreement of compliance with certain provisions of the Financing Agreement or certain defaults under the Financing Agreement and their consequences; or

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

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

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

SUMMARY OF THE CONTINUING DISCLOSURE AGREEMENT

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

Pursuant to the Continuing Disclosure Agreement, the City will, not later than **180** days after the end of the City's fiscal year, provide to each Nationally Recognized Securities Information Repository and the State Repository, if any, the following: (A) the City's Comprehensive Annual Financial Report (the "Annual Report"), which includes the audited financial statements of the City for the prior fiscal year, and (B) the amounts deposited into the Special Allocation Fund established for the Series 2006F Project. 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 D

FORM OF OPINION OF BOND COUNSEL

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

December 12, 2006

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: \$5,485,000 Missouri Development Finance Board Infrastructure Facilities
Revenue Bonds (City of Independence, Missouri – Parks Facilities Project)
Series 2006D**

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the Missouri Development Finance Board (the “Board”), of the above-referenced bonds (the “Bonds”). The Bonds have been authorized and issued under and pursuant to the Missouri Development Finance Board Act, Sections 100.250 to 100.297 of the Revised Statutes of Missouri, as amended (the “Act”), and the Bond Trust Indenture dated as of December 1, 2006 (the “Indenture”) between the Board and Commerce Bank, N.A., as trustee (the “Trustee”). All capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.

The proceeds of the Bonds will be used by the Board to make a loan to the City of Independence, Missouri, a constitutional charter city and political subdivision of the State of Missouri (the “City”), pursuant to a Financing Agreement dated as of December 1, 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 the Tax Compliance Agreement, and (b) the due authorization, execution and delivery of the Financing Agreement and the Tax Compliance Agreement by the City and the binding effect and enforceability thereof against the City.

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

- (i) the Indenture;
- (ii) the Financing Agreement; and

(iii) the Tax Compliance Agreement.

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

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

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

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

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

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

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

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

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

Very truly yours,

GILMORE & BELL, P.C.

