

City of Excelsior Springs, Missouri

Financial Report

Year Ended September 30, 2005

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Excelsior Springs, Missouri

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Excelsior Springs, Missouri, as of and for the year ended September 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Excelsior Springs, Missouri's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City Hospital, the discretely presented component unit of the City which represents all of the assets and revenues of the discretely presented component unit opinion unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the City Hospital, is based on the report of the other auditors.

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. The financial statements of the City Hospital, the discretely presented component unit, were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective 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 of Excelsior Springs, Missouri, as of September 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, Construction Services Fund and Parks and Recreation Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2005 on our consideration of the City of Excelsior Springs, Missouri's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 13 and the Pension Plan Schedule of Funding Progress and Schedule of Employer Contributions on page 60 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Excelsior Springs, Missouri's basic financial statements. The combining and individual nonmajor fund financial statements and other schedules, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McGladrey & Pullen, LLP

Kansas City, Missouri
December 9, 2005

City of Excelsior Springs, Missouri

Management's Discussion and Analysis

As management of the City of Excelsior Springs, we offer readers of the City of Excelsior Springs' financial statements this narrative overview and analysis of the financial activities of the City of Excelsior Springs for the fiscal year ended September 30, 2005. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The assets of the City of Excelsior Springs (primary government only) exceeded its liabilities at the close of the most recent fiscal year by \$14,452,189. Of this amount, \$6,903,226 may be used to meet the government's ongoing obligations to citizens and creditors. For fiscal year 2004, assets exceeded liabilities by \$13,222,286 of which \$6,805,348 was unrestricted.
- The government's total net assets increased by \$1,229,903. Most of this increase is attributable to increased property tax collections, increased financial institution taxes, and increased gain on the sale of capital assets, partially offset by decreased franchise fees and miscellaneous revenue. Total net assets increased \$60,027 in fiscal year 2004 mostly due to increased franchise taxes, increased railroad and utility taxes, and increased utility (water, sewer and refuse) revenues, offset by decreased sales, use, and property tax collections.
- As of the close of the current fiscal year, the City of Excelsior Springs' governmental funds reported combined ending fund balances of \$6,624,333, an increase of \$236,744. Approximately \$5,455,000 of this amount is available for spending at the government's discretion. Total governmental funds combined ending fund balances in fiscal year 2004 were \$6,387,589.
- At the end of the current fiscal year, the unreserved fund balance for the General Fund was \$2,023,990 or forty percent of total General Fund expenditures.
- The City of Excelsior Springs total debt (excluding compensated absences) decreased by \$1,177,129 (8 percent) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Excelsior Springs' basic financial statements. The City of Excelsior Springs' basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Excelsior Springs' finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City of Excelsior Springs' assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Excelsior Springs is improving or deteriorating.

The statement of activities presents information showing how government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

City of Excelsior Springs, Missouri

Management's Discussion and Analysis

Both of the government-wide financial statements distinguish functions of the City of Excelsior Springs that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Excelsior Springs include general government, public safety, transportation (or OMNI), public works, health and welfare, recreational activities, and community betterment.

The government-wide financial statements include not only the City of Excelsior Springs itself (known as the primary government), but also the legally separate hospital for which the City of Excelsior Springs is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 14-17 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Excelsior Springs, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Excelsior Springs can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Excelsior Springs maintains twenty individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Construction Services Special Revenue Fund and Parks and Recreation Special Revenue Fund, which are considered to be major funds. Data from the other seventeen funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 18-24 of this report.

Proprietary funds. The City of Excelsior Springs maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Excelsior Springs uses enterprise funds to account for its water, sewer, golf, airport, and refuse operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for water, sewer, and golf course operations, all of which are considered major funds of the City of Excelsior Springs. Conversely, Airport and Refuse operations are combined into a single, aggregated presentation in the proprietary fund financial statements.

City of Excelsior Springs, Missouri

Management's Discussion and Analysis

The basic proprietary fund financial statements can be found on pages 25-32 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City of Excelsior Springs' own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 33 of this report.

Notes to basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 34-59 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor funds and combining and individual fund statements and schedules can be found on pages 61-74 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Excelsior Springs, primary governmental assets exceeded liabilities by \$14,452,189 at the close of the most recent fiscal year.

A large portion of the City of Excelsior Springs' net assets (37 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt issued to acquire those assets that is still outstanding. The City of Excelsior Springs uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Excelsior Springs' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	City of Excelsior Springs' Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 8,181,226	\$ 7,906,366	\$ 3,608,970	\$ 3,423,593	\$ 11,790,196	\$ 11,329,959
Capital assets	6,120,405	5,572,523	12,100,883	12,509,018	18,221,288	18,081,541
Total assets	14,301,631	13,478,889	15,709,853	15,932,611	30,011,484	29,411,500
Long-term liabilities outstanding	5,591,700	6,339,196	6,226,584	6,662,487	11,818,284	13,001,683
Other liabilities	2,678,529	2,310,385	1,062,482	877,146	3,741,011	3,187,531
Total liabilities	8,270,229	8,649,581	7,289,066	7,539,633	15,559,295	16,189,214
Net assets:						
Invested in capital assets, net of related debt	(102,176)	(1,264,482)	5,455,222	5,423,336	5,353,046	4,158,854
Restricted	1,023,917	1,003,084	1,172,000	1,255,000	2,195,917	2,258,084
Unrestricted	5,109,661	5,090,706	1,793,565	1,714,642	6,903,226	6,805,348
Total net assets	\$ 6,031,402	\$ 4,829,308	\$ 8,420,787	\$ 8,392,978	\$ 14,452,189	\$ 13,222,286

City of Excelsior Springs, Missouri

Management's Discussion and Analysis

A portion of the City of Excelsior Springs' net assets (15 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$6,903,226) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Excelsior Springs is able to report positive balances in all three categories of net assets for the government as a whole as well as for separate business-type activities; however, long-term liabilities exceeded the net book value of governmental capital assets resulting in a net liability in capital assets net of related debt. This situation is related to the fact that the City of Excelsior Springs has not yet capitalized infrastructure assets purchased or constructed prior to October 1, 2002. Once infrastructure assets are capitalized, the net liability should decrease. The same situation held true for the prior fiscal year.

There was a decrease of \$83,000 in restricted net assets reported in connection with the City of Excelsior Springs' business-type activities. This decrease resulted primarily from the release of collateral pledged by the Missouri Department of Natural Resources related to the 1992 Sewerage Revenue Bonds.

The government's net assets increased by \$1,229,903 during the current fiscal year. This is almost entirely attributable to the revenue increases and expenditure decreases described below in the governmental activities section.

City of Excelsior Springs' Changes in Net Assets

	Governmental Activities 2005	Business-Type Activities 2005	2005 Total	Governmental Activities 2004	Business-Type Activities 2004	2004 Total
Revenues:						
Program revenues:						
Charges for services	\$ 1,312,662	\$ 3,777,531	\$ 5,090,193	\$ 1,136,028	\$ 3,793,359	\$ 4,929,387
Operating grants and contributions	641,110	-	641,110	781,977	-	781,977
Capital grants and contributions	-	150,084	150,084	-	-	-
General revenues:						
Property taxes	1,550,778	-	1,550,778	1,401,668	-	1,401,668
General sales and use tax	3,383,671	-	3,383,671	3,369,517	-	3,369,517
Franchise tax	1,070,849	-	1,070,849	1,121,139	-	1,121,139
Cigarette tax	104,224	-	104,224	103,656	-	103,656
Railroad and utility/financial institution tax	76,421	-	76,421	40,674	-	40,674
Gain on sale of capital assets	4,367	-	4,367	-	-	-
Investment earnings	175,527	131,484	307,011	120,513	100,106	220,619
Miscellaneous	38,637	-	38,637	112,378	-	112,378
Total revenues	8,358,246	4,059,099	12,417,345	8,187,550	3,893,465	12,081,015

City of Excelsior Springs, Missouri

Management's Discussion and Analysis

City of Excelsior Springs' Changes in Net Assets (Continued)

	Governmental Activities 2005	Business-Type Activities 2005	2005 Total	Governmental Activities 2004	Business-Type Activities 2004	2004 Total
Expenses:						
General government	741,077	-	741,077	790,958	-	790,958
Public safety	4,007,447	-	4,007,447	3,791,455	-	3,791,455
Transportation	118,869	-	118,869	155,612	-	155,612
Public works	864,625	-	864,625	1,522,617	-	1,522,617
Health and welfare	51,643	-	51,643	48,715	-	48,715
Recreational activities	383,466	-	383,466	418,771	-	418,771
Community betterment	908,513	-	908,513	980,721	-	980,721
Interest and fiscal charges	396,908	-	396,908	469,131	-	469,131
Water	-	1,724,911	1,724,911	-	1,820,589	1,820,589
Sewer	-	929,790	929,790	-	968,257	968,257
Golf	-	735,904	735,904	-	736,727	736,727
Airport	-	3,087	3,087	-	2,955	2,955
Refuse	-	321,202	321,202	-	314,480	314,480
Total expenses	7,472,548	3,714,894	11,187,442	8,177,980	3,843,008	12,020,988
Transfers	316,396	(316,396)	-	317,659	(317,659)	-
Change in net assets	1,202,094	27,809	1,229,903	327,229	(267,202)	60,027
Net assets, beginning	4,829,308	8,392,978	13,222,286	4,502,079	8,660,180	13,162,259
Net assets, ending	\$ 6,031,402	\$ 8,420,787	\$ 14,452,189	\$ 4,829,308	\$ 8,392,978	\$ 13,222,286

Governmental activities. Governmental activities increased the City of Excelsior Springs' net assets by \$1,202,094. Key elements of this increase are as follows:

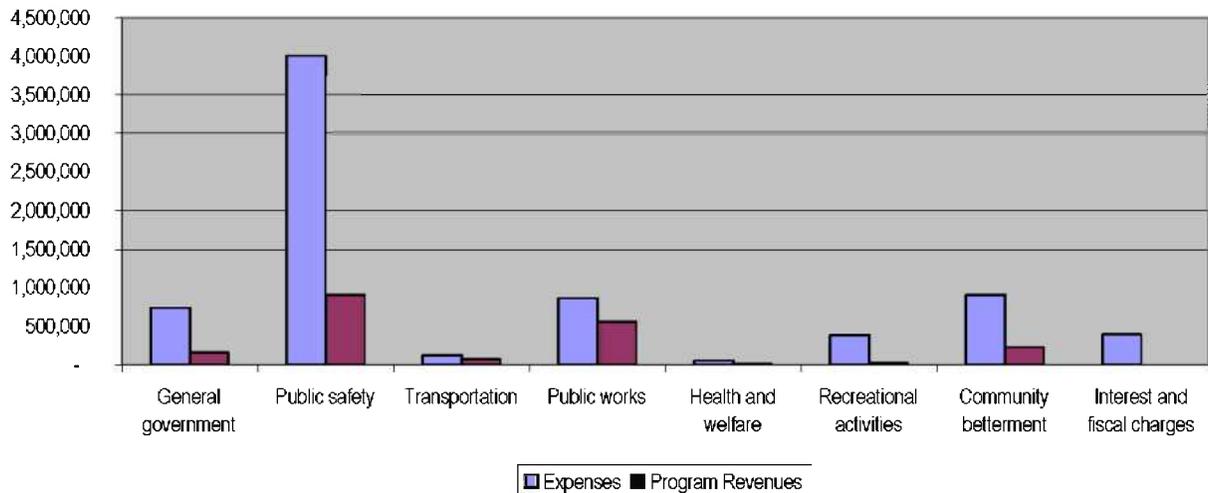
- Property tax revenues increased by \$149,110 (10.6 percent) during the year. This increase was caused primarily by new construction and reassessment of growth.
- Charges for services increased by \$176,634 (15.5 percent) during the year. Elements of this increase included the following: a \$42,322 (7.4 percent) increase in net ambulance billings caused primarily by execution of a contract with the Eastern Clay County Ambulance District; a \$56,022 (29.9 percent) increase in net municipal court revenues related to increased enforcement activities; and an \$87,374 (86.4 percent) increase in community betterment revenues related to collection of an NID assessment.
- Revenues from operating grants and contributions decreased by \$140,067 (18.0 percent), related primarily to an \$88,884 (46.3 percent) decrease in county road and bridge monies received.
- General government expenses exceeded program revenues by \$53,341 (8.4 percent) less during 2005 than 2004. This increase was caused by a decrease in expenses across the board.
- Public safety expenses exceeded program revenues by \$116,234 (3.9 percent) more during 2005 than 2004. This increase was caused by a \$40,980 (21.0 percent) increase in municipal court expenses related primarily to the increased cost of housing prisoners. Increases in other public safety expenses were in line with inflation.
- Transportation expense exceeded program revenues by \$20,394 (28.5 percent) less during 2005 than 2004. This decrease was caused primarily by a transition of part-time employees in lieu of full-time employees.

City of Excelsior Springs, Missouri

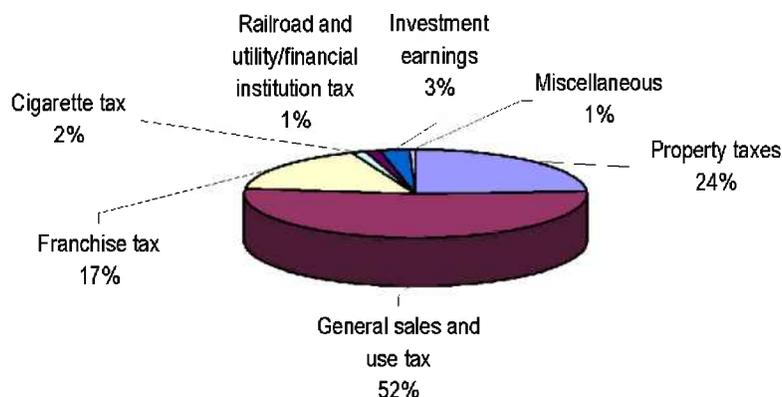
Management's Discussion and Analysis

- Public works (primarily street department) expenses exceeded program revenues by \$567,087 (42.8 percent) less during 2005 than 2004. This decrease was caused primarily by the capitalization of street improvements during the year.
- Recreational activity expenses exceeded program revenues by \$23,453 (6.1 percent) less during 2005 than 2004. This decrease was caused by decreased parks and recreation expenses which were partially offset by lower revenues.
- Community betterment expenses exceeded program revenues by \$166,526 (19.6 percent) less during 2005 than 2004. This decrease was caused primarily by decreased TIF surplus disbursements as monies were held to extinguish the debt early and by increased program revenues related to the collection of the NID assessment previously mentioned.
- Interest and fiscal charges decreased by \$72,223 from 2004 to 2005. This decrease was caused primarily by the fact that both the Price Chopper and Wal-Mart/Elms TIF bonds were refinanced late in 2003 to take advantage of lower interest rates. This resulted in lower interest expense during 2005 as this was the first full year that the new bonds were in place.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities

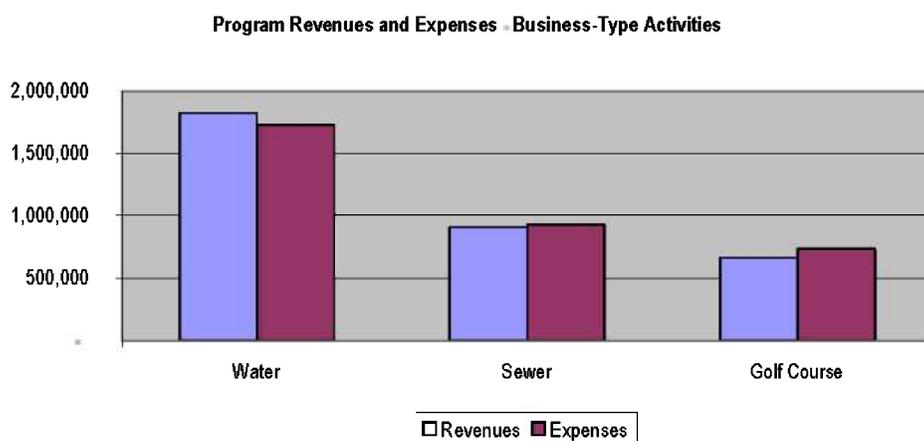


City of Excelsior Springs, Missouri

Management's Discussion and Analysis

Business-type activities. Business-type activities increased the City of Excelsior Springs' net assets by \$27,809. Key elements of this increase are as follows:

- Charges for services for business-type activities were relatively flat, decreasing by \$15,828 (0.4 percent).
- Operating expenses for business-type activities decreased by \$128,114 (3.3 percent). Decreases in water, sewer and golf expenses offset by increased airport and refuse expenses accounted for all of this decrease.
- Interest income for business-type activities increased by \$31,378 (31.3 percent), primarily due to higher interest rates.



Financial Analysis of the Government's Funds

As noted earlier, the City of Excelsior Springs uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Excelsior Springs' *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable resources*. Such information is useful in assessing the City of Excelsior Springs' financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Excelsior Springs' governmental funds reported combined ending fund balances of \$6,624,333, an increase of \$236,744 in comparison with the prior year. Approximately \$5,455,000 is unreserved.

The General Fund is the chief operating fund of the City of Excelsior Springs. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$2,023,990; however, the City Council has designated \$1,200,000 as an emergency fund. As a measure of the General Fund's liquidity, it may be useful to compare both the undesignated fund balance and the total fund balance to total fund expenditures. The undesignated unreserved fund balance represents 16 percent of General Fund expenditures, while the total fund balance represents 49 percent of that same amount.

City of Excelsior Springs, Missouri

Management's Discussion and Analysis

The fund balance of City of Excelsior Springs' General Fund increased by \$114,301 during the current fiscal year. Key factors in this growth are as follows:

- Total revenues increased by \$87,798 (1.7 percent). This increase was caused primarily by increased tax revenues \$87,680, fines and forfeitures \$56,022 and charges for services revenues \$42,237. These increased revenues were partially offset by reductions in intergovernmental revenues of \$87,340 and other revenues of \$28,218.
- Total expenditures decreased by \$29,154 (0.58 percent). This decrease was caused primarily by decreased public works expenditures \$20,895 and community betterment expenditures \$68,444, partially offset by increased public safety expenditures \$53,682.
- Other financing sources decreased by \$138,708 (133.8 percent). This decrease was caused primarily by the fact the 2004 financial statements include the impact of a \$90,750 ambulance which was funded by a transfer from the capital equipment fund.

Proprietary Funds. The City of Excelsior Springs's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water Fund, the Pollution Control (Sewer) Fund, and the Golf Course Fund at the end of the current fiscal year amounted to \$4,076,532, \$4,651,353, and (\$421,373), respectively. The increase/decline in net assets for these funds was (\$15,836), \$119,029, and (\$84,605), respectively. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City of Excelsior Springs' business-type activities.

General Fund

The overall increase in revenues between the original budget and the final amended budget was an increase of \$209,521. The overall increase in expenditures between the original budget and the final amended budget was \$124,468. These changes can be briefly summarized as follows:

- Tax revenues increased by \$143,717 (4.65 percent) and charges for services increased by \$51,327 (9.19 percent) while other modest increases and decreases were noted.
- General government budgeted expenditures increased by \$53,377. This increase was caused primarily by a \$28,431 increase in City Manager/City Council expenditures and a \$30,182 increase in Building and Operations expenditures. These increases were partially offset by immaterial decreases in other areas.
- Public works budgeted expenditures decreased by \$40,546. This decrease was caused primarily by a decrease in salary and benefit expenditures accompanied by other immaterial increases and decreases in budgeted public works expenditures.
- Public safety budgeted expenditures increased by \$163,296, as follows: Police Department \$19,064, Municipal Court \$50,139; and Fire Department \$94,093. The increase in budgeted police department was primarily caused by an increase in capital purchases partially offset by decreased salary and benefit expenditures. The increase in budgeted municipal court expenditures was caused by increased prisoner housing and medical expenditures. The increase in budgeted fire department expenditures was caused primarily by increased salary and benefit expenditures partially offset by immaterial decreases in other areas.
- Community betterment budgeted expenditures decreased by \$51,659. This decrease was caused primarily by a decrease in Inspection Department salary and benefit expenditures related to the elimination of one position. In addition, Transportation budgeted expenditures decreased related to a reduction in the hours and days that the City bus system was available.

City of Excelsior Springs, Missouri

Management's Discussion and Analysis

Construction Services Fund

The overall decrease in revenues between the original construction services fund budget and the final amended budget was a decrease of \$164,876. The overall decrease in expenditures between the original budget and the final amended budget was \$110,595. These changes can be briefly summarized as follows:

- License, permit and fee revenues and other revenues decreased by \$4,000 (100 percent) and \$185,559 (95.3 percent), respectively, while intergovernmental revenues increased by \$24,683. The decrease in other revenues was caused by the reduced funding from the special road district as equipment purchases were not made.
- Public works budgeted expenditures decreased by \$13,549 (1.3 percent). This decrease was caused primarily by a decrease in salary and benefit expenditures accompanied by other immaterial increases and decreases in budgeted public works expenditures.
- Capital outlay budgeted expenditures decreased by \$97,046 (55.1 percent). This decrease was caused by the fact that the budget included the replacement of one piece of machinery which was instead rebuilt.

Parks and Recreation Fund

The overall increase in revenues between the original parks and recreation fund budget and the final amended budget was an increase of \$49,728. The overall increase in expenditures between the original budget and the final amended budget was \$140,787. These changes can be briefly summarized as follows:

- Tax revenues increased by \$39,568 (9.3 percent) and penalty and interest revenues increased by \$9,260 (231.5 percent) while other modest increases were noted.
- Budgeted recreation expenditures increased by \$22,728 (6.2 percent). This increase was caused primarily by increased salary and benefit expenditures.
- Budgeted capital outlay expenditures increased by \$118,059 (310.7 percent). This increase was caused by the addition of a skate park which was not included in the original budget.

City of Excelsior Springs, Missouri

Management's Discussion and Analysis

Capital Asset and Debt Administration

Capital assets. The City of Excelsior Springs' investment in capital assets for its governmental and business-type activities as of the end of the current fiscal year amounts to \$18,221,288 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, proprietary fund infrastructure assets, and governmental fund infrastructure assets added since October 1, 2002. However, this investment in capital assets does not include governmental infrastructure assets added during previous years which have not yet been inventoried. The total increase in the City of Excelsior Springs' investment in capital assets for the current fiscal year was 1 percent (a 9 percent increase for governmental activities and a 3 percent decrease for business-type activities).

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 384,847	\$ 384,847	\$ 1,036,813	\$ 1,036,813	\$ 1,421,660	\$ 1,421,660
Land improvements	1,172	4,008	475,517	517,971	476,689	521,979
Construction-in-progress	369,642	815,809	160,652	-	530,294	815,809
Buildings and improvements	1,601,619	1,742,064	3,471,031	3,702,401	5,072,650	5,444,465
Operating equipment	513,942	570,424	163,964	179,753	677,906	750,177
Furniture and office equipment	55,194	62,397	35,234	58,133	90,428	120,530
Vehicles	1,119,443	1,345,562	356,280	176,389	1,475,723	1,521,951
Infrastructure	2,074,546	647,412	6,401,392	6,837,558	8,475,938	7,484,970
	\$ 6,120,405	\$ 5,572,523	\$ 12,100,883	\$ 12,509,018	\$ 18,221,288	\$ 18,081,541

Additional information on the City of Excelsior Springs' capital assets can be found in Note 4 of this report.

Long-term debt. At the end of the current fiscal year, the City of Excelsior Springs had total capital leases, bonded debt, and long-term loans payable outstanding of \$684,183, \$11,521,667 and \$787,500, respectively, for a total of \$12,993,350. Of this amount, \$485,000 is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment, and \$5,381,667 represents bonds secured solely by specified revenue sources (i.e., revenue bonds). The remainder of the City of Excelsior Springs' debt represents capital lease agreements.

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Capital leases	\$ 199,196	\$ 273,904	\$ 484,987	\$ 516,575	\$ 684,183	\$ 790,479
Special assessment debt with governmental commitment	485,000	545,000	-	-	485,000	545,000
Revenue bonds	5,655,000	6,255,000	5,381,667	5,720,000	11,036,667	11,975,000
Long-term loans payable	-	-	787,500	860,000	787,500	860,000
	\$ 6,339,196	\$ 7,073,904	\$ 6,654,154	\$ 7,096,575	\$ 12,993,350	\$ 14,170,479

The City of Excelsior Springs' total debt decreased by \$1,177,129 (8 percent) during the current fiscal year. This decrease resulted from \$1,177,129 in principal payments.

The City of Excelsior Springs maintains an "Aaa" rating from Moody's for general obligation debt.

City of Excelsior Springs, Missouri

Management's Discussion and Analysis

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City of Excelsior Springs is \$11.5 million (based upon 2004 assessed value). As the City of Excelsior Springs has no outstanding general obligation debt, this entire amount is available for issuance with voter approval.

Additional information on the City of Excelsior Springs's long-term debt can be found in Note 5 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Clay County, which includes the City of Excelsior Springs, is currently 4.1 percent, which is 0.1 percent less than it was one year ago. This compares favorably to the state's average unemployment rate of 4.6 percent and the national average rate of 5.1 percent.
- Inflationary trends in the region compare favorably to national indices.

These factors were considered in preparing the City of Excelsior Springs' budget for the 2006 fiscal year.

- During the current fiscal year, the unreserved fund balance of the General Fund increased to \$2,023,990. The City of Excelsior Springs appropriated \$102,092 of the existing fund balance for spending in the 2006 fiscal year budget.
- Water, sewer and refuse rate increases of 8 percent were included in the 2006 fiscal year budget.
- The citizens of Excelsior Springs passed a one-half cent public safety sales tax which went into effect on October 1, 2005. These monies were included in the 2006 fiscal year budget.

Requests for Information

This financial report is designed to provide a general overview of the City of Excelsior Springs' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, City of Excelsior Springs, 201 East Broadway, Excelsior Springs, Missouri 64024.

City of Excelsior Springs, Missouri

Statement of Net Assets
September 30, 2005

Assets	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Hospital
Current Assets:				
Cash and cash equivalents	\$ 2,523,692	\$ 585,054	\$ 3,108,746	\$ -
Due from primary government agency fund	-	-	-	552,020
Investments	1,815,180	1,469,239	3,284,419	-
Receivables, net of allowance for uncollectibles of \$908,186:				
Property taxes	1,263,133	-	1,263,133	206,149
Franchise taxes	177,873	-	177,873	-
Utility accounts	-	374,184	374,184	-
Patient accounts	-	-	-	1,877,308
Other	277,668	-	277,668	21,989
Accrued interest	-	-	-	-
Due from other governmental units	857,608	-	857,608	356,401
Prepaid items	125,540	-	125,540	-
Deferred charges	116,615	8,493	125,108	-
Restricted cash and cash equivalents	1,023,917	1,172,000	2,195,917	-
Supplies	-	-	-	310,528
Total current assets	8,181,226	3,608,970	11,790,196	3,324,395
Noncurrent Assets:				
Nondepreciable:				
Land	384,847	1,036,813	1,421,660	-
Construction-in-progress	2,001,260	160,652	2,161,912	-
Depreciable:				
Land improvements	39,831	809,585	849,416	779,969
Buildings and improvements	4,244,024	5,107,018	9,351,042	5,222,052
Operating equipment	1,292,466	825,666	2,118,132	4,507,790
Furniture and office equipment	191,647	125,897	317,544	5,551,373
Vehicles	2,641,148	625,609	3,266,757	-
Infrastructure	2,144,624	14,187,469	16,332,093	-
Less accumulated depreciation	(5,187,824)	(10,777,826)	(15,965,650)	(10,695,659)
Total capital assets	7,752,023	12,100,883	19,852,906	5,365,525
Due from primary government agency fund	-	-	-	431,719
Cash and deposits held under bond indenture, due from primary government agency fund	-	-	-	1,920,312
Other	-	-	-	311,775
Total noncurrent assets	7,752,023	12,100,883	19,852,906	8,029,331
Total assets	\$ 15,933,249	\$ 15,709,853	\$ 31,643,102	\$ 11,353,726

See Notes to Basic Financial Statements.

Liabilities	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Hospital
Current Liabilities:				
Accounts payable and accrued expenses	\$ 217,690	\$ 213,465	\$ 431,155	\$ 754,601
Due to third party payers	-	-	-	392,339
Deferred revenue	1,222,588	-	1,222,588	198,568
Customer deposits	-	245,965	245,965	-
Accrued interest	116,310	83,071	199,381	16,456
Current portion of long-term obligations:				
Loans payable	-	77,500	77,500	-
Capital lease obligations	77,496	33,403	110,899	256,050
Revenue bonds payable	670,000	316,667	986,667	161,901
Compensated absences	374,445	92,411	466,856	340,683
Total current liabilities	2,678,529	1,062,482	3,741,011	2,120,598
Noncurrent liabilities:				
Noncurrent portion of long-term obligations:				
Loans payable	-	710,000	710,000	-
Capital lease obligations	121,700	451,584	573,284	3,332,417
Revenue bonds payable	5,470,000	5,065,000	10,535,000	594,080
Total noncurrent liabilities	5,591,700	6,226,584	11,818,284	3,926,497
Total liabilities	8,270,229	7,289,066	15,559,295	6,047,095
Net assets:				
Invested in capital assets, net of related debt	1,529,442	5,455,222	6,984,664	1,020,708
Restricted for renewal and replacement	-	1,172,000	1,172,000	-
Restricted for debt service	979,062	-	979,062	669,744
Restricted for other purposes	44,855	-	44,855	958,472
Unrestricted	5,109,661	1,793,565	6,903,226	2,657,707
Total net assets	7,663,020	8,420,787	16,083,807	5,306,631
Total liabilities and net assets	\$ 15,933,249	\$ 15,709,853	\$ 31,643,102	\$ 11,353,726

City of Excelsior Springs, Missouri

Statement of Activities
Year Ending September 30, 2005

Functions/Programs	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
General government	\$ (741,077)	\$ 156,743	\$ -	\$ -
Public safety	(4,007,447)	907,474	-	-
Transportation	(118,869)	31,265	36,319	-
Public works	(864,625)	4,807	553,718	-
Health and welfare	(51,643)	-	13,750	-
Recreational activities	(383,466)	23,910	-	-
Community betterment	(908,513)	188,463	37,323	-
Interest and fiscal charges	(396,908)	-	-	-
Total governmental activities	(7,472,548)	1,312,662	641,110	-
Business-type activities:				
Water	(1,724,911)	1,824,642	-	12,721
Sewer	(929,790)	910,652	-	136,115
Golf	(735,904)	667,310	-	1,248
Airport	(3,087)	4,800	-	-
Refuse	(321,202)	370,127	-	-
Total business-type activities	(3,714,894)	3,777,531	-	150,084
Total primary government	(11,187,442)	5,090,193	641,110	150,084
Component unit - hospital	\$ (16,512,064)	\$ 15,720,855	\$ 125,242	\$ 2,897

General Revenues

Taxes:

- Property taxes, levied for general purposes
- General sales and use tax
- Franchise tax
- Cigarette tax
- Railroad and utility/financial institution tax

Investment earnings

Gain on sale of capital assets

Miscellaneous

Transfers

Total general revenues and transfers

Changes in net assets

Net assets, beginning

Net assets, ending

See Notes to Basic Financial Statements.

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Unit	
Governmental Activities	Business-Type Activities	Total	Hospital	
\$ (584,334)	\$ -	\$ (584,334)	\$ -	-
(3,099,973)	-	(3,099,973)	-	-
(51,285)	-	(51,285)	-	-
(306,100)	-	(306,100)	-	-
(37,893)	-	(37,893)	-	-
(359,556)	-	(359,556)	-	-
(682,727)	-	(682,727)	-	-
(396,908)	-	(396,908)	-	-
(5,518,776)	-	(5,518,776)	-	-
-	112,452	112,452	-	-
-	116,977	116,977	-	-
-	(67,346)	(67,346)	-	-
-	1,713	1,713	-	-
-	48,925	48,925	-	-
-	212,721	212,721	-	-
(5,518,776)	212,721	(5,306,055)	-	-
-	-	-	(663,070)	-
1,550,778	-	1,550,778	213,820	-
3,383,671	-	3,383,671	-	-
1,070,849	-	1,070,849	-	-
104,224	-	104,224	-	-
76,421	-	76,421	-	-
175,527	131,484	307,011	107,429	-
4,367	-	4,367	-	-
38,637	-	38,637	-	-
316,396	(316,396)	-	-	-
6,720,870	(184,912)	6,535,958	321,249	-
1,202,094	27,809	1,229,903	(341,821)	-
4,829,308	8,392,978	13,222,286	5,648,452	-
\$ 6,031,402	\$ 8,420,787	\$ 14,452,189	\$ 5,306,631	-

City of Excelsior Springs, Missouri

Balance Sheet
 Governmental Funds
 September 30, 2005

Assets	Governmental Fund Types				
	General	Construction Services	Parks and Recreation	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 237,647	\$ 114,480	\$ 43,974	\$ 2,127,591	\$ 2,523,692
Investments	1,170,406	-	-	644,774	1,815,180
Receivables, net of allowance for uncollectibles of \$210,843:					
Property taxes	714,499	-	411,633	137,001	1,263,133
Franchise taxes	177,873	-	-	-	177,873
Other	245,564	-	-	32,104	277,668
Due from other governments	266,033	-	1,277	590,298	857,608
Due from other funds	-	-	333,052	25,039	358,091
Prepaid items	125,540	-	-	-	125,540
Restricted cash and cash equivalents	294,855	-	-	729,062	1,023,917
Total assets	\$ 3,232,417	\$ 114,480	\$ 789,936	\$ 4,285,869	\$ 8,422,702
Liabilities and Fund Equity					
Liabilities:					
Accounts payable and accrued expenses	\$ 79,488	\$ 7,934	\$ 118,837	\$ 11,431	\$ 217,690
Due to other funds	-	-	-	358,091	358,091
Deferred revenue	688,451	-	397,136	137,001	1,222,588
Total liabilities	767,939	7,934	515,973	506,523	1,798,369
Fund equity:					
Reserved for police programs	16,915	-	-	-	16,915
Reserved for court	17,000	-	-	-	17,000
Reserved for construction	10,940	-	-	-	10,940
Reserved for encumbrances	20,093	-	-	-	20,093
Reserved for debt service	250,000	-	-	729,062	979,062
Reserved for prepaid items	125,540	-	-	-	125,540
Unreserved, designated for board use	1,200,000	-	-	-	1,200,000
Unreserved, reported in:					
General Fund	823,990	-	-	-	823,990
Special revenue funds	-	106,546	273,963	2,670,357	3,050,866
Capital projects funds	-	-	-	379,927	379,927
Total fund equity	2,464,478	106,546	273,963	3,779,346	6,624,333
Total liabilities and fund equity	\$ 3,232,417	\$ 114,480	\$ 789,936	\$ 4,285,869	\$ 8,422,702

See Notes to Basic Financial Statements.

City of Excelsior Springs, Missouri

Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities
September 30, 2005

Total governmental fund balances		\$	6,624,333
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.			6,120,405
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of the following:			
Accrued compensated absences	\$	(374,445)	
Accrued interest on long-term debt		(116,310)	
Capital leases payable		(199,196)	
Bonds payable		(6,140,000)	
Deferred charges		116,615	(6,713,336)
Net assets of governmental activities			<u>\$ 6,031,402</u>

See Notes to Basic Financial Statements.

City of Excelsior Springs, Missouri

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
 Year Ended September 30, 2005

	General	Construction Services	Parks and Recreation	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 3,280,905	\$ -	\$ 468,857	\$ 2,436,181	\$ 6,185,943
Licenses, permits and fees	196,034	2,565	-	-	198,599
Intergovernmental	579,104	24,683	-	37,323	641,110
Charges for services	647,957	-	22,450	-	670,407
Fines and forfeitures	243,367	-	-	-	243,367
Special assessment fees	1,849	-	-	93,690	95,539
Investment earnings	90,795	-	13,910	70,822	175,527
Other	127,870	13,170	2,347	-	143,387
Total revenues	5,167,881	40,418	507,564	2,638,016	8,353,879
Expenditures:					
Current:					
General government:					
Administration	12,954	-	-	15,124	28,078
City manager/council	275,067	-	-	-	275,067
Finance administration	290,731	-	-	-	290,731
Building operations	108,346	-	-	-	108,346
Public works, street operations	395,424	931,083	-	157,353	1,483,860
Public safety:					
Police department	1,862,753	-	-	30,762	1,893,515
Municipal courts	233,014	-	-	-	233,014
Fire department	1,445,325	-	-	-	1,445,325
Recreational activities, parks and recreation	-	-	378,204	53,680	431,884
Community betterment:					
Transportation activities	66,095	-	-	-	66,095
Community development	280,192	-	-	608,707	888,899
Senior center	48,661	-	-	-	48,661
Capital outlay	-	78,955	138,447	8,533	225,935
Debt service:					
Principal	-	-	-	734,708	734,708
Interest	-	-	-	276,504	276,504
Trustee and issuance costs	-	-	-	7,276	7,276
Total expenditures	5,018,562	1,010,038	516,651	1,892,647	8,437,898
Excess of revenues over (under) expenditures	149,319	(969,620)	(9,087)	745,369	(84,019)
Other Financing Sources (Uses):					
Proceeds from sale of capital assets	1,176	1,847	1,344	-	4,367
Transfers in	414,602	1,089,724	-	1,065,455	2,569,781
Transfers out	(450,796)	(43,697)	(35,899)	(1,722,993)	(2,253,385)
Total other financing sources (uses)	(35,018)	1,047,874	(34,555)	(657,538)	320,763
Net change in fund balance	114,301	78,254	(43,642)	87,831	236,744
Fund balances, beginning	2,350,177	28,292	317,605	3,691,515	6,387,589
Fund balances, ending	\$ 2,464,478	\$ 106,546	\$ 273,963	\$ 3,779,346	\$ 6,624,333

See Notes to Basic Financial Statements.

City Of Excelsior Springs, Missouri

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
Year Ended September 30, 2005**

Total net change in fund balances - governmental funds	\$	236,744
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceed depreciation in the period:</p>		
Depreciation		(591,104)
Capital outlays		1,138,986
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations and disposals) is to increase/decrease net assets:</p>		
Gain on sale of capital assets		4,367
Proceeds from the sale of capital assets		(4,367)
<p>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, change in compensated absences</p>		
		(204,112)
<p>The issuance of long-term debt (e.g., bonds, loans, leases) provides current resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. 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. In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds an interest expenditure is reported when due. The following is the detail of the net effect of these differences in the treatment of long-term debt and related items:</p>		
Repayment of principal of long-term debt		734,708
Interest		7,156
Amortization of deferred charges		(120,284)
Change in net assets of governmental activities	\$	1,202,094

See Notes to Basic Financial Statements.

City of Excelsior Springs, Missouri

**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended September 30, 2005**

	General Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Taxes	\$ 3,092,700	\$ 3,236,417	\$ 3,280,905	\$ 44,488
Licenses, permits and fees	175,950	190,027	196,034	6,007
Intergovernmental	582,276	561,901	579,104	17,203
Charges for services	558,250	609,577	647,957	38,380
Fines and forfeitures	207,000	228,278	243,367	15,089
Special assessment fees	-	1,849	1,849	-
Investment earnings	88,000	91,461	90,795	(666)
Other	111,900	106,087	127,870	21,783
Total revenues	4,816,076	5,025,597	5,167,881	142,284
Expenditures:				
Current:				
General government	648,775	702,152	687,098	15,054
Public works	450,682	410,136	395,424	14,712
Public safety	3,414,584	3,577,880	3,541,092	36,788
Community betterment	450,816	399,157	394,948	4,209
Total expenditures	4,964,857	5,089,325	5,018,562	70,763
Excess of revenues over (under) expenditures	(148,781)	(63,728)	149,319	213,047
Other financing sources (uses):				
Proceeds from sale of capital assets	-	1,340	1,176	(164)
Transfers in	398,032	414,206	414,602	396
Transfers out	(417,272)	(408,389)	(450,796)	(42,407)
Total other financing sources (uses)	(19,240)	7,157	(35,018)	(42,175)
Net change in fund balance	\$ (168,021)	\$ (56,571)	114,301	\$ 170,872
Fund balances, beginning			2,350,177	
Fund balances, ending			<u>2,464,478</u>	

See Notes to Basic Financial Statements.

City of Excelsior Springs, Missouri

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
 Construction Services Fund
 Year Ended September 30, 2005

	Construction Services Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Licenses, permits and fees	\$ 4,000	\$ -	\$ 2,565	\$ 2,565
Intergovernmental	-	24,683	24,683	-
Other	194,800	9,241	13,170	3,929
Total revenues	198,800	33,924	40,418	6,494
Expenditures:				
Current, public works	1,010,596	997,047	931,083	65,964
Capital outlay	176,000	78,954	78,955	(1)
Total expenditures	1,186,596	1,076,001	1,010,038	65,963
Excess of revenues over (under) expenditures	(987,796)	(1,042,077)	(969,620)	72,457
Other financing sources (uses):				
Proceeds from sale of capital assets	-	1,847	1,847	-
Transfers in	948,650	1,198,557	1,089,724	(108,833)
Transfers out	(26,100)	(45,740)	(43,697)	2,043
Total other financing sources (uses)	922,550	1,154,664	1,047,874	(106,790)
Net change in fund balance	\$ (65,246)	\$ 112,587	78,254	\$ (34,333)
Fund balances, beginning			28,292	
Fund balances, ending			<u>\$ 106,546</u>	

See Notes to Basic Financial Statements.

City of Excelsior Springs, Missouri

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Parks and Recreation Fund
Year Ended September 30, 2005

	Parks and Recreation Fund			Variance With Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Taxes	\$ 425,600	\$ 465,168	\$ 468,857	\$ 3,689
Charges for services	23,800	24,500	22,450	(2,050)
Investment earnings	4,000	13,260	13,910	650
Other	-	200	2,347	2,147
Total revenues	453,400	503,128	507,564	4,436
Expenditures:				
Recreational activities	366,772	389,500	378,204	11,296
Capital outlay	38,000	156,059	138,447	17,612
Total expenditures	404,772	545,559	516,651	28,908
Excess of revenues over (under) expenditures	48,628	(42,431)	(9,087)	33,344
Other financing sources (uses):				
Proceeds from sale of capital assets	-	1,344	1,344	-
Transfers out	(33,060)	(34,961)	(35,899)	(938)
Total other financing sources (uses)	(33,060)	(33,617)	(34,555)	(938)
Net change in fund balance	\$ 15,568	\$ (76,048)	(43,642)	\$ 32,406
Fund balances, beginning			317,605	
Fund balances, ending			<u>\$ 273,963</u>	

See Notes to Basic Financial Statements.

City of Excelsior Springs, Missouri

Statement of Net Assets
Enterprise Funds
September 30, 2005

Assets	Water	Pollution Control
Current assets:		
Cash and cash equivalents	\$ 75,456	\$ 349,505
Investments	477,506	991,733
Due from other funds	611,661	-
Accounts receivable, utility accounts net of allowance for uncollectibles of \$22,343	218,692	126,735
Deferred charges	-	8,493
Total current assets	1,383,315	1,476,466
Restricted cash	68,468	787,500
Restricted investments	316,032	-
	384,500	787,500
Advances to other funds	-	70,000
Capital assets:		
Land	131,849	799,000
Construction in progress	160,652	-
Land improvements	-	-
Buildings and improvements	4,754,843	9,280
Operating equipment	236,176	93,271
Furniture and office equipment	45,393	72,437
Vehicles	242,225	381,134
Infrastructure	5,840,634	8,346,835
Total capital assets	11,411,772	9,701,957
Less accumulated depreciation	4,710,680	5,040,673
Net capital assets	6,701,092	4,661,284
Total assets	\$ 8,468,907	\$ 6,995,250

(Continued)

	Golf	Nonmajor Enterprise Funds	Total Enterprise Funds
\$	-	\$ 160,093	\$ 585,054
	-	-	1,469,239
	-	-	611,661
	-	28,757	374,184
	-	-	8,493
	-	188,850	3,048,631
	-	-	855,968
	-	-	316,032
	-	-	1,172,000
	-	-	70,000
	55,964	50,000	1,036,813
	-	-	160,652
	809,585	-	809,585
	294,271	48,624	5,107,018
	496,219	-	825,666
	8,067	-	125,897
	2,250	-	625,609
	-	-	14,187,469
	1,666,356	98,624	22,878,709
	988,950	37,523	10,777,826
	677,406	61,101	12,100,883
\$	677,406	\$ 249,951	\$ 16,391,514

City of Excelsior Springs, Missouri

Statement of Net Assets (Continued)
Enterprise Funds
September 30, 2005

Liabilities and Fund Equity (Deficit)	Water	Pollution Control
Current liabilities:		
Due to other funds	\$ -	\$ -
Accounts payable and accrued expenses	177,477	1,653
Compensated absences	43,186	18,077
Customer deposits and bonds	245,965	-
Accrued interest	80,747	-
Current portion of:		
Loans payable	-	77,500
Capital lease obligations	-	-
Revenue bonds payable	200,000	116,667
Total current liabilities	747,375	213,897
Noncurrent liabilities:		
Advances from other funds	-	-
Loans payable	-	710,000
Capital lease obligations	-	-
Revenue bonds payable	3,645,000	1,420,000
Total noncurrent liabilities	3,645,000	2,130,000
Total liabilities	4,392,375	2,343,897
Net assets (deficit):		
Invested in capital assets, net of related debt	2,856,092	2,345,610
Restricted for renewal and replacement	384,500	787,500
Unrestricted	835,940	1,518,243
Total net assets (deficit)	4,076,532	4,651,353
Total liabilities and net assets (deficit)	\$ 8,468,907	\$ 6,995,250

See Notes to Basic Financial Statements.

	Golf	Nonmajor Enterprise Funds	Total Enterprise Funds
\$	503,950	\$ 107,711	\$ 611,661
	6,370	27,965	213,465
	31,148	-	92,411
	-	-	245,965
	2,324	-	83,071
	-	-	77,500
	33,403	-	33,403
	-	-	316,667
	<u>577,195</u>	<u>135,676</u>	<u>1,674,143</u>
	70,000	-	70,000
	-	-	710,000
	451,584	-	451,584
	-	-	5,065,000
	<u>521,584</u>	<u>-</u>	<u>6,296,584</u>
	<u>1,098,779</u>	<u>135,676</u>	<u>7,970,727</u>
	192,419	61,101	5,455,222
	-	-	1,172,000
	<u>(613,792)</u>	<u>53,174</u>	<u>1,793,565</u>
	<u>(421,373)</u>	<u>114,275</u>	<u>8,420,787</u>
\$	<u>677,406</u>	<u>\$ 249,951</u>	<u>\$ 16,391,514</u>

City of Excelsior Springs, Missouri

Statement of Revenues, Expenses and Changes in Fund Net Assets (Deficit)
 Enterprise Funds
 Year Ended September 30, 2005

	Water	Pollution Control
Operating revenues:		
Charges for services	\$ 1,778,409	\$ 906,146
Rental income	37,911	1,804
Other	8,322	2,702
Total operating revenues	1,824,642	910,652
Operating expenses:		
Personnel services	531,157	239,857
Contractual and professional services	230,116	52,709
Utilities	25,130	11,840
Maintenance and repairs	30,268	28,677
Cost of goods sold	-	-
Insurance	95,928	1,747
Supplies and materials (administrative)	142,018	117,966
Depreciation	475,305	355,796
Amortization	-	2,400
Total operating expenses	1,529,922	810,992
Operating income (loss)	294,720	99,660
Nonoperating revenue (expense):		
Gain on sale of capital assets	12,721	136,115
Investment earnings	31,398	95,401
Interest expense	(194,989)	(118,798)
Total nonoperating revenue (expense)	(150,870)	112,718
Income (loss) before transfers	143,850	212,378
Other:		
Transfers in	14,057	8,068
Transfers out	(173,743)	(101,417)
Change in net assets	(15,836)	119,029
Total net assets (deficit), beginning	4,092,368	4,532,324
Total net assets (deficit), ending	\$ 4,076,532	\$ 4,651,353

See Notes to Basic Financial Statements.

	Golf	Nonmajor Enterprise Funds	Total Enterprise Funds
\$	667,310	\$ 370,127	\$ 3,721,992
	-	4,800	44,515
	-	-	11,024
	<u>667,310</u>	<u>374,927</u>	<u>3,777,531</u>
	311,425	-	1,082,439
	96,635	316,079	695,539
	11,412	-	48,382
	93,121	-	152,066
	86,173	-	86,173
	1,747	2,770	102,192
	37,799	5,123	302,906
	68,040	317	899,458
	-	-	2,400
	<u>706,352</u>	<u>324,289</u>	<u>3,371,555</u>
	(39,042)	50,638	405,976
	1,248	-	150,084
	1,375	3,310	131,484
	(29,552)	-	(343,339)
	<u>(26,929)</u>	<u>3,310</u>	<u>(61,771)</u>
	(65,971)	53,948	344,205
	-	-	22,125
	(18,634)	(44,727)	(338,521)
	<u>(18,634)</u>	<u>(44,727)</u>	<u>(316,396)</u>
	(84,605)	9,221	27,809
	(336,768)	105,054	8,392,978
\$	<u>(421,373)</u>	<u>\$ 114,275</u>	<u>\$ 8,420,787</u>

City of Excelsior Springs, Missouri

Statement of Cash Flows - Enterprise Funds
Year Ended September 30, 2005

	Water	Pollution Control
Cash Flows from Operating Activities:		
Cash collected from customers	\$ 1,827,564	\$ 907,352
Cash paid to suppliers for goods and services	(370,104)	(214,594)
Cash paid to employees for services	(526,155)	(247,709)
Net cash provided by operating activities	931,305	445,049
Cash Flows from Noncapital Financing Activities:		
Decrease in advances to other funds	-	10,000
Decrease in advances from other funds	-	-
Interfund proceeds	-	109,741
Interfund payments	(183,726)	-
Transfers in	14,057	8,068
Transfers out	(173,743)	(101,417)
Net cash provided by (used in) noncapital financing activities	(343,412)	26,392
Cash Flows from Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(195,002)	(158,638)
Principal payments on revenue bonds and capital leases	(190,000)	(220,833)
Proceeds from sale of capital assets	13,106	20,947
Interest paid	(198,442)	(118,798)
Net cash used in capital and related financing activities	(570,338)	(477,322)
Cash Flows from Investing Activities:		
Purchase of investments	(2,881,075)	(4,472,208)
Investment earnings proceeds	31,398	95,401
Proceeds from sales and maturities of investments	2,884,520	4,376,168
Net cash provided by (used in) investing activities	34,843	(639)
Net increase (decrease) in cash and cash equivalents	52,398	(6,520)
Cash and cash equivalents:		
Beginning	91,526	1,143,525
Ending	\$ 143,924	\$ 1,137,005
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating income (loss)	\$ 294,720	\$ 99,660
Depreciation and amortization	475,305	358,196
(Increase) decrease in accounts receivable	(10,782)	(3,300)
Increase (decrease) in accounts payable and accrued expense	153,356	(1,655)
Increase (decrease) in compensated absences	5,002	(7,852)
Increase in customer deposits and bonds	13,704	-
Net cash provided by operating activities	\$ 931,305	\$ 445,049
Schedule of noncash item, capital and related financing activities, trade credit received for purchase of new capital asset	\$ -	\$ 142,000

See Notes to Basic Financial Statements.

	Golf	Nonmajor Enterprise Funds	Total Enterprise Funds
\$	667,310	\$ 376,668	\$ 3,778,894
	(329,652)	(296,258)	(1,210,608)
	(303,471)	-	(1,077,335)
	34,187	80,410	1,490,951
	-	-	10,000
	(10,000)	-	(10,000)
	76,015	-	185,756
	-	(2,030)	(185,756)
	-	-	22,125
	(18,634)	(44,727)	(338,521)
	47,381	(46,757)	(316,396)
	(22,900)	-	(376,540)
	(31,588)	-	(442,421)
	1,248	-	35,301
	(29,703)	-	(346,943)
	(82,943)	-	(1,130,603)
	-	-	(7,353,283)
	1,375	3,310	131,484
	-	-	7,260,688
	1,375	3,310	38,889
	-	36,963	82,841
	-	123,130	1,358,181
\$	-	\$ 160,093	\$ 1,441,022
\$	(39,042)	\$ 50,638	\$ 405,976
	68,040	317	901,858
	-	1,741	(12,341)
	(2,765)	27,714	176,650
	7,954	-	5,104
	-	-	13,704
\$	34,187	\$ 80,410	\$ 1,490,951
\$	-	\$ -	\$ 142,000

City of Excelsior Springs, Missouri

Statement of Assets and Liabilities - Agency Funds

September 30, 2005

Assets

Cash and cash equivalents	\$	3,044,157
Taxes receivable		206,149
	\$	<u>3,250,306</u>

Liabilities

Accounts payable	\$	54,385
Deferred revenue		198,568
Due to component unit		2,904,051
Due to other governments		93,302
	\$	<u>3,250,306</u>

See Notes to Basic Financial Statements.

City of Excelsior Springs, Missouri

Notes to Basic Financial Statements

Note 1. Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies

Reporting Entity

The City of Excelsior Springs, Missouri (the City) was formed in 1880 and covers an area of approximately sixteen square miles in Clay and Ray Counties, Missouri. Excelsior Springs is a city of the third class and operates under the council-manager form of government. The City Manager is the chief administrative officer of the City. The City provides services to its estimated 11,500 residents in many areas, including law enforcement, fire protection, a hospital, paramedic services, water and sewer services, community enrichment and development, 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 City's reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either (a) the ability to impose will by the primary government, or (b) the possibility that the component unit will provide a financial benefit or impose a financial burden on the primary government.

The accompanying financial statements present the City (the primary government) and its component units. The financial data of the component units are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The component units have September 30 year-ends.

Blended component unit: The Facilities Authority serves all the citizens of the government and is governed by a self-perpetuating five-member board established by the City Council. The Authority was established to promote, acquire, develop, construct, own, operate, maintain and lease facilities within the City, which are approved by the City Council for the purpose of promoting the economic, social, industrial, cultural and commercial growth and for the general benefit of the City and its residents. Administration of its various programs is performed by City employees. Although it is legally separate from the City, the Authority is reported as if it were part of the primary government because its Board is substantively the same as the City Council and the Administration, and its sole purpose is to finance and construct the City's public buildings. The Facilities Authority is reported as the Debt Service Fund.

Discretely presented component unit: The City Hospital is a municipally owned hospital controlled by the Hospital Board, which is appointed by the City Council. City Council must approve bond issuances, but they do not take action on user charges or budget approvals. The financial statements of the City Hospital are audited by other auditors and may be obtained at the Hospital's administrative offices located at 1700 Rainbow Blvd., Excelsior Springs, Missouri 64024.

Basis of presentation:

Government-wide and fund financial statements: The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Note 1. Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of fund financial statements is on major funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

Fund accounting: The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, reserves, fund balance/net assets, revenues and expenditures or expenses, as appropriate. The City has the following fund types:

Governmental Fund Types: Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used; current liabilities are assigned to the fund from which they are paid; and the difference between governmental fund assets and liabilities, the fund equity, is referred to as "fund balance". The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The City reports the following major governmental funds:

General Fund: The General Fund is the City's primary operating fund. It accounts for all financial resources for the general government, except those required to be accounted for in another fund.

Construction Services Fund: A Special Revenue Fund, accounts for construction projects of the City.

Parks and Recreation Fund: A Special Revenue Fund, accounts for parks and recreation activities of the City.

The other governmental funds of the City are considered nonmajor and are as follows:

Special Revenue Funds: account for revenues and expenditures related to programs that are restricted in nature for specific purposes. The nonmajor special revenue funds account for the activities of the Neighborhood Improvement District Fund, Community Development Block Grant Fund, Transportation Trust Fund, Capital Improvements Fund, Tax Increment Financing-Price Chopper Fund, Tax Increment Financing-Wal-Mart/Elms Fund, E-911 Phone Tax Fund, Capital Improvements E-911 Tax Fund, Tax Increment Financing-Paradise Playhouse Fund, Tax Increment Financing-Vintage Development Fund and the Public Safety Sales Tax Fund.

Note 1. Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

Debt Service Funds: account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. The nonmajor debt service funds are the Debt Service Fund, Tax Increment Financing Price Chopper Fund and Tax Increment Financing Wal-Mart/Elms Fund.

Capital Projects Funds: account for all resources to be used for the construction or acquisition of designated capital assets. The nonmajor capital projects funds are the Capital Equipment Fund, Tax Increment Financing Price Chopper Project Fund and the Tax Increment Financing Wal-Mart/Elms Project Fund.

Proprietary Fund Types: Proprietary fund types are used to account for a government's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows.

Enterprise funds: are used to account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the City has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

The following are the City's major enterprise funds:

Water Fund: accounts for the activities of the Water Department which operates the City's water plant and provides for the distribution of safe drinking water to the City's residential and commercial customers as well as surrounding communities.

Pollution Control Fund: accounts for the activities of the Pollution Control (or Sewer) Department which is responsible for maintaining the City's sanitary sewer system.

Golf Course Fund: accounts for the activities of the Excelsior Springs Municipal Golf Course.

The other enterprise funds of the City are considered nonmajor and are as follows:

Airport Fund: accounts for the activities of the City's airport.

Refuse Fund: accounts for the activities of the City's hazardous waste and other refuse collection.

Fiduciary Fund Types: Fiduciary fund types are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The City has the following fiduciary fund type:

Agency Funds: account for resources received and held by the City as an agent and are to be expended as directed by the party for which the City is acting as an agent. The City's Agency Funds account for revenues collected and disbursed by the City on behalf of another entity.

Note 1. Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded and the availability criteria. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Charges for sales and services (other than utility), and miscellaneous revenues are generally recorded as revenue when received in cash, because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Property taxes are recognized as a receivable at the time they become an enforceable legal claim. The current taxes receivable represent the 2005 levy plus any uncollected amounts from the 2004 levy. Property taxes that are not available for current year operations are shown as deferred revenue. Property taxes are levied each year on all taxable real and personal property in the City. The City's property tax is levied each October 1 on the assessed value as of the prior January 1. Property taxes are billed in total by November 1 following the levy date and considered delinquent after January 1. On January 1, a lien attaches to all property for which taxes are unpaid.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

City of Excelsior Springs, Missouri

Notes to Basic Financial Statements

Note 1. Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

Summary of significant accounting policies:

The significant accounting policies followed by the City include the following:

Budgets and budgetary accounting: The City Council annually adopts budgets for the General Fund, special revenue funds, debt service funds and capital projects funds of the primary government. All appropriations are legally controlled at the department level for the individual funds. On September 29, 2004, the City Council formally approved the original adopted budget and on September 19, 2005, approved the revised budget reflected in the financial statements.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed operating expenditures, capital expenditures, and the means for financing them.
- Public hearings are conducted to obtain comments from all interested parties.
- The budget for the coming year is formally adopted on or before the last day of the current fiscal year.
- The City Manager is authorized to make changes within departments, between departments and between functions within each fund. Changes or transfers at the fund level require approval by the City Council.
- Under Missouri law, expenditures may not legally exceed budgeted appropriations at the fund level. If expenditures for a fund exceed the budget, either then the budget must be amended or the City Council must pass a resolution authorizing the expenditures in excess of the budget.

The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Statement for the General Fund and Construction Services Fund presents actual expenditures in accordance with the accounting principles generally accepted in the United States of America on a basis consistent with the legally adopted budgets as amended. All annual appropriations lapse at fiscal year-end. Encumbrances are reappropriated for the ensuing year's budget.

Expenditures exceeded the final budget by \$1,748 and \$8,017 of the Tax Increment Financing-Paradise Playhouse and the Tax Increment Financing-Vintage Development Funds, both special revenue funds.

Cash and cash equivalents: The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statements of net assets or balance sheets as "Cash and Cash Equivalents". In addition, certain resources set aside are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The bond reserve account is used to report resources set aside to subsidize potential deficiencies from the capital projects and special revenue fund's operations that could adversely affect debt service payments. The amount available in Debt Service Fund is used to report resources accumulated for future debt service payments and construction.

City of Excelsior Springs, Missouri

Notes to Basic Financial Statements

Note 1. Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

Investments are stated at fair value, which is based on quoted market prices. For U.S. Government securities and bankers' acceptances with maturity dates of less than one year, the investments are valued at amortized cost. Because the City uses the pooled cash investment method, individual fund overdrafts are reclassified as due to/due from other funds or internal balances for financial statement purposes. Income from the investment of pooled cash is allocated to the various funds based on the percentage of cash and temporary investments of each fund to the total pooled cash and temporary investments.

Statement of cash flows: For purposes of the statement of cash flows for proprietary fund type funds, all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents.

Accounts receivable: Balances result primarily from miscellaneous services provided to citizens and are accounted for in the General Fund and nonmajor governmental funds. Water and sewer services are accounted for in the Water Fund and Pollution Control Fund. All are net of an allowance for uncollectibles. The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets: Capital assets, which include land, construction-in-progress, land improvements, buildings and improvements, equipment, vehicles and infrastructure assets, 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 cost of more than \$1,000 for equipment and vehicles and \$25,000 for buildings and improvements and infrastructure and an estimated useful life in excess of one year. All land purchases are capitalized. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of the donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the year.

Capital assets of the primary government, as well as the component units, is depreciated using the straight-line method and the following estimated useful lives:

Land improvements	10 to 20 years
Building and improvements	7 to 30 years
Infrastructure	20 to 40 years
Operating equipment	3 to 5 years
Furniture and office equipment	3 to 5 years
Vehicles	4 to 10 years

City of Excelsior Springs, Missouri

Notes to Basic Financial Statements

Note 1. Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the results of operations.

The City has elected to apply the transition provisions allowed under GASB Statement No. 34, paragraphs 148-151 for infrastructure assets. The items of infrastructure include the network of city streets, bridges and sidewalks maintained by the City of Excelsior Springs, as well as the network of gutters, drainage systems and lighting systems. The City has not capitalized general governmental infrastructure assets purchased or constructed prior to October 1, 2002. Retroactive reporting of general governmental infrastructure assets is required for fiscal year September 30, 2007.

Deferred revenue: Deferred revenue in the governmental funds and the statement of net assets represents property tax levied for future fiscal years.

Compensated absences: Under terms of the City's personnel policy, City employees are granted vacation and sick leave in varying amounts, based on length of service. In the event of termination or separation, an employee is paid for accumulated vacation up to the maximum he/she can earn over a two-year period. Employees are also paid for accumulated sick leave upon termination in an amount equal to one day for every four days in excess of 30 days that have been accrued.

For proprietary fund types, these accumulations are recorded as expenses and liabilities of the appropriate fund in the fiscal year earned. For governmental fund types, the amount of accumulated unpaid vacation and sick leave which is payable from available resources is recorded as a liability of the respective fund only if they have matured, for example, as a result of employee retirements and resignations.

Interfund transactions: Interfund transactions are defined as transactions among City funds that would be treated as revenues and expenditures or expenses if they involved organizations external to City government and are accounted for as revenues and expenditures or expenses in the funds involved.

Transactions which constitute reimbursements to a fund for expenditures initially made from it which are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the reimbursed fund.

Transactions, which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended, are separately reported in the respective funds' operating statements.

Activity between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as "due to/from other funds" and "advances to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Deficit fund balances: The City has a deficit in the fund balance of the Tax Increment Financing - Vintage Development Fund (\$29,231), a Special Revenue Fund. The City has a deficit in net assets of the Golf Fund (\$421,373) and the Airport Fund (\$46,610) enterprise funds.

Note 1. Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

Long-term obligations: In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using a method which approximates the interest method.

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 the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Post employment benefits: In addition to the pension benefits described in Note 7, the City offers post-retirement healthcare benefits to all employees who retire from the City. The premium is paid fully by the retiree either monthly or quarterly at the retiree's discretion for the next period's coverage. There is no associated cost to the City under this program.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City provides healthcare benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the Federal government for this coverage. The premium is paid by the insured either monthly or quarterly at the insured's discretion for the next period's coverage. This program is offered for a duration of 18 months after the termination date. There is no associated cost to the City under this program.

Noncurrent cash and deposits: Noncurrent cash and deposits include (1) assets externally restricted by donors, (2) assets held under bond indentures, (3) assets held by the City Hospital Foundation and (4) certificates of deposit.

Patient accounts receivable: The City Hospital reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The City Hospital provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Charity care: The City Hospital provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Charity care is not included in net patient service revenue. Charges excluded from revenue under the City Hospital's charity care policy were \$111,535 and \$91,935 for 2005 and 2004, respectively.

Fund equity: In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net assets: Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt, excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

City of Excelsior Springs, Missouri

Notes to Basic Financial Statements

Note 1. Reporting Entity, Basis of Presentation, Measurement Focus and Basis of Accounting and Summary of Significant Accounting Policies (Continued)

The City first applied restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Use of estimates: The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2. Deposits and Investments

As of September 30, 2005, the City had the following investments:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 - 10	More Than 10
U.S. Government Securities	\$ 3,850,451	\$ 3,603,030	\$ 247,421	\$ -	\$ -

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from interest rates, the City's investment policy limits its investment portfolio to maturities of less than three years. All of the investments owned by the City as of September 30, 2005 have maturity dates of less than three years.

Credit Risk: Missouri State Statutes authorize the City, with certain restrictions, to deposit funds in open accounts, time deposits and certificates of deposit. Statutes also required that collateral pledged have a fair market value equal to 100% of the funds on deposit, less insured amounts. Collateral securities must be held by the City or a disinterested third party and must be of the kind prescribed by state statutes and approved by the State. The City may purchase any investments allowed by the State Treasurer. These include (a) obligations of the United States government or any agency or instrumentality thereof maturing and becoming payable not more than three years from the date of purchase, or (b) repurchase agreements maturing and becoming payable within ninety days secured by U.S. Treasury obligations or obligations of U.S. government agencies or instrumentalities of any maturity, as provided by law.

As of September 30, 2005, the City's investments were rated as follows:

Investment Type	Moody's Investor Service	Standard & Poor's
U.S. Government Securities	Aaa	AAA

The City's general investment policy is to apply the prudent-person rule: Investments shall be made with the exercise of that judgment and care, under circumstances then prevailing, which individuals of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probably safety of their capital, as well as the probable income to be derived.

City of Excelsior Springs, Missouri

Notes to Basic Financial Statements

Note 2. Deposits and Investments (Continued)

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The custodial risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in possession of another party. As of September 30, 2005, the City's investments were not exposed to custodial risk. It is the City's policy to require that time deposits in excess of FDIC insurable limits be secured by collateral or private insurance to protect public deposits in a single financial institution if it were to default. As of September 30, 2005, none of the City's bank balance of \$5,040,522, which excludes the Hospital agency fund, was exposed to custodial credit risk.

The carrying amount of deposits for the Excelsior Springs City Hospital, which are included in the Hospital agency fund, was \$2,896,470 and the bank balance was \$3,222,315. The entire bank balance was covered by federal depository insurance or by collateral held by the Hospital's agent in the Hospital's name.

Excelsior Springs City Hospital, the discretely presented component unit, had no investments as of September 30, 2005.

Note 3. Property Taxes

The City's property tax is levied each October 1 on the assessed value of the prior January 1 for all property located in the City. Property taxes are due in total by December 31 following the levy date and are collected by the Finance Office. The City records property tax revenues when levied, net of estimated uncollectible amounts.

Assessed values are established by County Assessors subject to review by the County's Board of Equalization and State Tax Commission. The assessed value for property, excluding railroad and utility properties located in the City as of January 1, 2004, on which the fiscal year 2005 levy was based, was \$115,501,148 and \$119,010,198 for the General Fund and other funds, respectively. The assessed value of railroad and utility properties as of January 1, 2004 was \$4,868,556. During the year ended September 30, 2005, the City collected 102.64% of property taxes, excluding interest and penalty which were levied in the period.

The City is permitted by Missouri State Statutes to levy taxes 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 September 30, 2005 are as follows:

Fund	Levy
General	\$ 0.5782
Parks/recreation	0.3246
Total primary government	0.9028
Component unit - City Hospital	0.1623
Total reporting entity	\$ 1.0651

City of Excelsior Springs, Missouri

Notes to Basic Financial Statements

Note 4. Capital Assets

The following is a summary of changes in capital assets for the year ended September 30, 2005:

	2004 Balance	Additions	Retirements	2005 Balance
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 384,847	\$ -	\$ -	\$ 384,847
Construction-in-progress	815,809	369,642	815,809	369,642
Total capital assets, not being depreciated	1,200,656	369,642	815,809	754,489
Capital assets, being depreciated:				
Land improvements	39,831	-	-	39,831
Buildings and improvements	4,244,024	-	-	4,244,024
Operating equipment	1,203,445	57,956	31,065	1,230,336
Furniture and office equipment	191,647	-	-	191,647
Vehicles	2,515,736	76,397	49,015	2,543,118
Infrastructure	693,824	1,450,800	-	2,144,624
Total capital assets, being depreciated	8,888,507	1,585,153	80,080	10,393,580
Less accumulated depreciation for:				
Land improvements	35,823	2,836	-	38,659
Buildings and improvements	2,501,960	140,445	-	2,642,405
Operating equipment	633,021	114,438	31,065	716,394
Furniture and office equipment	129,250	7,203	-	136,453
Vehicles	1,170,174	302,516	49,015	1,423,675
Infrastructure	46,412	23,666	-	70,078
Total accumulated depreciation	4,516,640	591,104	80,080	5,027,664
Total capital assets, being depreciated, net	4,371,867	994,049	-	5,365,916
Governmental activities capital assets, net	\$ 5,572,523	\$ 1,363,691	\$ 815,809	\$ 6,120,405

City of Excelsior Springs, Missouri

Notes to Basic Financial Statements

Note 4. Capital Assets (Continued)

	2004 Balance	Additions	Retirements	2005 Balance
Business-Type Activities				
Capital assets, not being depreciated:				
Land	\$ 1,036,813	\$ -	\$ -	\$ 1,036,813
Construction-in-progress	-	160,652	-	160,652
Total capital assets, not being depreciated	1,036,813	160,652	-	1,197,465
Capital assets, being depreciated:				
Land improvements	809,585	-	-	809,585
Buildings and improvements	5,107,018	-	-	5,107,018
Operating equipment	796,675	58,990	29,999	825,666
Furniture and office equipment	119,397	6,500	-	125,897
Vehicles	534,277	292,398	201,066	625,609
Infrastructure	14,187,469	-	-	14,187,469
Total capital assets, being depreciated	21,554,421	357,888	231,065	21,681,244
Less accumulated depreciation for:				
Land improvements	291,614	42,454	-	334,068
Buildings and improvements	1,404,617	231,370	-	1,635,987
Operating equipment	616,922	74,779	29,999	661,702
Furniture and office equipment	61,264	29,399	-	90,663
Vehicles	357,888	85,290	173,849	269,329
Infrastructure	7,349,911	436,166	-	7,786,077
Total accumulated depreciation	10,082,216	899,458	203,848	10,777,826
Total capital assets, being depreciated, net	11,472,205	(541,570)	27,217	10,903,418
Business-type activities capital assets, net	\$ 12,509,018	\$ (380,918)	\$ 27,217	\$ 12,100,883

City of Excelsior Springs, Missouri

Notes to Basic Financial Statements

Note 4. Capital Assets (Continued)

Depreciation expense was charged to functions of the government as follows:

Governmental Activities

General government	\$ 23,264
Public safety	289,362
Transportation	52,219
Public works	175,690
Health and welfare	-
Recreation activities	41,298
Community betterment	9,271
Total depreciation expense, governmental activities	<u>\$ 591,104</u>

Business-Type Activities

Water	\$ 475,305
Sewer	355,796
Golf	68,040
Airport	317
Total depreciation expense, business-type activities	<u>\$ 899,458</u>

Activity for the Hospital for the year ended September 30, 2005 was as follows:

	2004 Balance	Additions	Retirements	2005 Balance
Component Unit: Hospital				
Land improvements	\$ 771,894	\$ 8,075	\$ -	\$ 779,969
Buildings and improvements	5,165,888	73,072	16,908	5,222,052
Operating equipment	4,391,919	123,345	7,474	4,507,790
Furniture and office equipment	5,336,352	215,511	490	5,551,373
Total capital assets	<u>15,666,053</u>	<u>420,003</u>	<u>24,872</u>	<u>16,061,184</u>
Less accumulated depreciation for:				
Land improvements	330,173	27,756	-	357,929
Buildings and improvements	3,184,462	208,671	438	3,392,695
Operating equipment	2,644,858	238,447	6,125	2,877,180
Furniture and office equipment	3,588,262	480,083	490	4,067,855
Total accumulated depreciation	<u>9,747,755</u>	<u>954,957</u>	<u>7,053</u>	<u>10,695,659</u>
Total capital assets, Hospital, net	<u>\$ 5,918,298</u>	<u>\$ (534,954)</u>	<u>\$ 17,819</u>	<u>\$ 5,365,525</u>

City of Excelsior Springs, Missouri

Notes to Basic Financial Statements

Note 5. Long-Term Debt

Long-term liability balances and activity of the City's governmental activities for the year ended September 30, 2005 were as follows:

	Balance September 30, 2004	Additions	Retirements	Balance September 30, 2005	Amounts Due Within One Year
Governmental Activities:					
Capital leases	\$ 273,904	\$ -	\$ 74,708	\$ 199,196	\$ 77,496
Revenue bonds	6,255,000	-	600,000	5,655,000	610,000
Neighborhood improvement, district bonds	545,000	-	60,000	485,000	60,000
Compensated absences	170,333	374,445	170,333	374,445	374,445
Governmental activities, long-term liabilities	\$ 7,244,237	\$ 374,445	\$ 905,041	\$ 6,713,641	\$ 1,121,941
Business-type activities:					
Long-term loans payable	\$ 860,000	\$ -	\$ 72,500	\$ 787,500	\$ 77,500
Lease purchase agreement	516,575	-	31,588	484,987	33,403
Revenue bonds	5,720,000	-	338,333	5,381,667	316,667
Compensated absences	87,307	92,411	87,307	92,411	92,411
Business-type activities, long-term liabilities	\$ 7,183,882	\$ 92,411	\$ 529,728	\$ 6,746,565	\$ 519,981
Component unit:					
Revenue bonds	\$ 3,642,814	\$ -	\$ 148,496	\$ 3,494,318	\$ 161,901
Notes payable	22,345	-	22,345	-	-
Capital lease	952,970	133,907	236,747	850,130	256,050
Component unit, long-term liabilities	\$ 4,618,129	\$ 133,907	\$ 407,588	\$ 4,344,448	\$ 417,951

City of Excelsior Springs, Missouri

Notes to Basic Financial Statements

Note 5 Long-Term Debt (Continued)

Long-term debt payable as of September 30, 2005, is comprised of the following individual issues:

	Balance September 30, 2004	Additions	Retirements	Balance September 30, 2005
Governmental activities:				
Capital lease, purchase of 2003 firetruck due in bi-annual payments of principal and interest of \$42,076; interest at 5.79%	\$ 273,904	\$ -	\$ 74,708	\$ 199,196
Revenue bonds:				
\$3,045,000 Facilities Authority Leasehold Refunding Revenue Bonds Series 2001, due in annual installments of \$135,000 to \$295,000 through December 15, 2015; interest at 2.30% to 5.05%	2,765,000	-	160,000	2,605,000
\$970,000 of refunding bonds, due in annual installments of \$75,000 to \$320,000 through November 1, 2008; interest at 2.60% to 4.00%	970,000	-	180,000	790,000
\$2,520,000 of refunding bonds, due in annual installments of \$195,000 to \$350,000 through October 1, 2012; interest at 1.75% to 4.75%	2,520,000	-	260,000	2,260,000
Neighborhood Improvement District Bonds:				
\$565,000 Series 1999A Tax-Exempt Neighborhood Improvement District Bonds (Elms NID), due in annual installments of \$40,000 to \$140,000; interest at 6.00%	545,000	-	60,000	485,000
Total governmental activities	\$ 7,073,904	\$ -	\$ 734,708	\$ 6,339,196

City of Excelsior Springs, Missouri

Notes to Basic Financial Statements

Note 5 Long-Term Debt (Continued)

	Balance September 30, 2004	Additions	Retirements	Balance September 30, 2005
Business-Type Activities:				
Long-term loans payable:				
Advance from the Missouri Department of Natural Resources made in conjunction with City's advance from the Missouri Department of Natural Resources made in conjunction with City's participation in State of Missouri's State Revolving Loan Program. Loan to be repaid without interest as 1992 Sewerage System revenue bonds mature	\$ 860,000	\$ -	\$ 72,500	\$ 787,500
Lease Purchase Agreements:				
\$950,000 Series 2001 Lease Purchase Agreement, due in annual installments of \$20,164 to \$77,268 through September 1, 2016; interest at 5.75%	516,575	-	31,588	484,987
Revenue Bonds:				
\$2,870,000 1992 Sewerage System revenue bonds (State Revolving Fund Program), due in annual installments of \$80,000 to \$245,000 starting on July 1, 1994 through July 1, 2013; interest at 4.50% to 6.55%	1,685,000	-	148,333	1,536,667
\$4,875,000 1998 Waterworks Refunding Bonds, due in annual installments of \$155,000 to \$375,000 starting on November 1, 1999 through November 1, 2018; interest at 4.00% to 5.25%	4,035,000	-	190,000	3,845,000
Total business-type activities	\$ 7,096,575	\$ -	\$ 442,421	\$ 6,654,154

City of Excelsior Springs, Missouri

Notes to Basic Financial Statements

Note 5 Long-Term Debt (Continued)

	Balance September 30, 2004	Additions	Retirements	Balance September 30, 2005
Component Unit:				
Revenue bonds:				
Hospital revenue bonds, Series B-R2, payable in monthly installments of \$10,183, including interest at 5%	\$ 746,955	\$ -	\$ 86,817	\$ 660,138
Hospital revenue bonds, Series C-R1; maturing April 2026; 5.75% interest; interest payments of \$4,045 payable monthly through March 1999, then principal and interest of \$5,113 thereafter	744,661	-	19,046	725,615
Hospital Revenue Bonds, Series 1999, maturing October 2030; 5.125% interest; interest payments annually through October 2002, annual principal and interest payments of \$100,734 thereafter; collateralized by a deed of trust on the Independent Living Facility	1,427,037	-	28,105	1,398,932
Hospital Revenue Bonds, Series 1999, maturity October 2030; 5.0% interest; interest payments annually through October 2002, annual principal and interest payments of \$50,348 thereafter; Interest Independent Living Facility	724,161	-	14,528	709,633
Note payable; due October 2005; payable \$11,172 quarterly plus interest at prime plus 2%; collateralized by property, equipment and inventory acquired	22,345	-	22,345	-
Capital leases	952,970	133,907	236,747	850,130
Total component unit	\$ 4,618,129	\$ 133,907	\$ 407,588	\$ 4,344,448

General obligation debt limit: 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 and 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, construction, extending and improving streets and avenues and/or sanitary or storm sewer systems, and purchasing or constructing waterworks and electric or other light plants, provided that the total general obligation indebtedness of the City does not exceed 20% of the assessed valuation of taxable property.

City of Excelsior Springs, Missouri

Notes to Basic Financial Statements

Note 5 Long-Term Debt (Continued)

Prior Year Defeasances: In prior years, the City defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. As of September 30, 2005, \$2,205,000 of bonds outstanding are considered defeased.

Sewerage system revenue bonds: In prior years, the City issued \$2,870,000 in Sewerage System Revenue Bonds. In conjunction with this issuance, the City entered into an agreement with the Missouri Department of Natural Resources whereby the state of Missouri will advance monies to establish a reserve fund in an amount up to 50% of the outstanding bonds.

This reserve fund will serve as collateral on the Sewerage System Revenue Bonds in the event of default and interest earnings on the reserve fund will be used to reduce the City's interest payment on the outstanding bonds. As of September 30, 2005, \$787,500 has been advanced from the Missouri Department of Natural Resources to the City.

Reserve accounts on debt: The Sewerage System and Waterworks Refunding revenue bond ordinances require that the systems be accounted for in separate accounts within the respective enterprise funds. They also require that after sufficient current assets have been set aside to operate the system, all remaining monies held in the funds be segregated and restricted in separate special reserves. The ordinance also contains a requirement for a minimum bond coverage. Additionally, the bond ordinances authorizing the hospital revenue bonds require that certain funds from the City Hospital's operations be set aside for future debt service requirements, major repairs and other contingencies. The funds are managed by the City in an agency fund.

These special reserves and accounts consist of cash and investments and are reported in the basic financial statements as restricted assets.

	Water	Pollution Control	Business-Type Activities Total	City Hospital	Reporting Entity Total
Reserve account	\$ 384,500	\$ 787,500	\$ 1,172,000	\$ 1,920,312	\$ 3,092,312

Under the terms of the hospital bond ordinance, \$250,000 of treasury notes are restricted in the General Fund as a reserve to be used to retire City Hospital revenue bonds should other City Hospital monies not be available. Interest earnings on this amount are restricted until bond payments are made, at which time these amounts can be released for use in the General Fund. The bonds are secured by the revenue of the City Hospital and Convalescent Center, a mortgage on the facility, and the funds in the Hospital Agency Fund. The bonds are subject to redemption by the City in whole or in part at par plus accrued interest.

City of Excelsior Springs, Missouri

Notes to Basic Financial Statements

Note 5. Long-Term Debt (Continued)

Capital leases: In prior years, the City entered into various cancellable leases as lessee to finance the purchase of vehicles and equipment. The leases are accounted for as noncancellable capital leases in accordance with Statement of Financial Accounting Standards No. 13, *Accounting for Leases*.

Summary of principal and interest maturities:

Annual debt service requirements to service all outstanding indebtedness as of September 30, 2005 are as follows:

Governmental Activities:

Year ending September 30:	2001 Leasehold Refunding Bonds		Neighborhood Improvement District Bonds		Price Chopper TIF 2003 Refunding Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 175,000	\$ 113,655	\$ 60,000	\$ 29,100	\$ 190,000	\$ 23,535
2007	205,000	106,939	65,000	25,500	320,000	15,580
2008	215,000	99,005	70,000	21,600	205,000	6,690
2009	230,000	90,040	75,000	17,400	75,000	1,500
2010	235,000	80,274	75,000	12,900	-	-
2011-2015	1,365,000	214,140	140,000	8,400	-	-
2016-2020	180,000	9,090	-	-	-	-
Total	\$ 2,605,000	\$ 713,143	\$ 485,000	\$ 114,900	\$ 790,000	\$ 47,305

Year ending September 30:	Wal-Mart/Elms TIF 2003 Refunding Bonds		2003 Firetruck Capital Lease	
	Principal	Interest	Principal	Interest
2006	\$ 245,000	\$ 81,765	\$ 77,496	\$ 6,656
2007	265,000	74,727	80,388	3,764
2008	280,000	66,202	41,312	764
2009	290,000	56,432	-	-
2010	305,000	98,588	-	-
2011-2015	875,000	-	-	-
2016-2020	-	-	-	-
Total	\$ 2,260,000	\$ 377,714	\$ 199,196	\$ 11,184

City of Excelsior Springs, Missouri

Notes to Basic Financial Statements

Note 5. Long-Term Debt (Continued)

Business-type Activities:

Year ending September 30:	1992 Sewer Bonds MDNR		1992 Sewerage System Revenue Bonds		1998 Waterworks Refunding Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 77,500	\$ -	\$ 116,667	\$ 75,056	\$ 200,000	\$ 189,342
2007	82,500	-	165,000	92,670	205,000	180,280
2008	87,500	-	175,000	82,028	215,000	170,776
2009	540,000	-	190,000	70,740	225,000	160,710
2010	-	-	200,000	64,518	235,000	149,543
2011-2015	-	-	690,000	169,752	1,380,000	548,713
2016-2020	-	-	-	-	1,385,000	150,278
Total	\$ 787,500	\$ -	\$ 1,536,667	\$ 554,764	\$ 3,845,000	\$ 1,549,642

Year ending September 30:	Golf Course Capital Lease	
	Principal	Interest
2006	\$ 33,403	\$ 27,886
2007	35,325	25,966
2008	37,356	23,934
2009	39,504	21,786
2010	41,775	19,516
2011-2015	247,791	79,047
2016-2020	49,833	2,866
Total	\$ 484,987	\$ 201,001

Component unit:

Year ending September 30:	Long-Term Debt		Capital Lease Obligations		Total to be Paid
	Principal	Interest	Principal	Interest	
2006	\$ 161,901	\$ 179,715	\$ 256,050	\$ 31,226	\$ 628,892
2007	162,966	171,680	238,541	20,821	594,008
2008	171,420	163,226	234,466	10,275	579,387
2009	180,316	154,330	105,401	2,597	442,644
2010	189,668	144,978	15,672	161	350,479
2011-2015	607,720	610,219	-	-	1,217,939
2016-2020	589,196	473,054	-	-	1,062,250
2021-2025	762,820	299,430	-	-	1,062,250
2026-2030	668,311	103,027	-	-	771,338
Total	\$ 3,494,318	\$ 2,299,659	\$ 850,130	\$ 65,080	\$ 6,709,187

City of Excelsior Springs, Missouri

Notes to Basic Financial Statements

Note 5. Long-Term Debt (Continued)

Capital leases shown in long-term debt for the City and the discretely presented component unit include leases for movable equipment at varying rates of imputed interest from 5% to 8%, maturing through 2020, and collateralized by the lease equipment. Property and equipment as of September 30, 2005 and 2004 include the following assets under capital lease:

	2005	2004
Movable equipment	\$ 1,737,127	\$ 1,671,781
Less accumulated depreciation	632,208	758,859
	<u>\$ 1,104,919</u>	<u>\$ 912,922</u>

The City of Excelsior Springs, Missouri leases equipment under agreements expiring in 2008. These agreements are accounted for as operating leases. The future minimum lease obligations total \$110,838 and are as follows:

Fiscal Year Ending September 30:

2006	\$ 51,156
2007	51,156
2008	8,526
	<u>\$ 110,838</u>

The total rental expense paid under these agreements for the year ended September 30, 2005 was \$42,630.

Note 6. Interfund Balances and Transfers

The following is a schedule of transfers included in the basic financial statements of the City:

	Transfers In	Transfers Out
Governmental activities:		
General	\$ 414,602	\$ 450,796
Construction services	1,089,724	43,697
Parks and recreation fund	-	35,899
Nonmajor governmental funds	1,065,455	1,722,993
Total governmental activities	<u>2,569,781</u>	<u>2,253,385</u>
Business-type activities:		
Water	14,057	173,743
Pollution control	8,068	101,417
Golf	-	18,634
Nonmajor enterprise funds	-	44,727
Total business-type activities	<u>22,125</u>	<u>338,521</u>
Total	<u>\$ 2,591,906</u>	<u>\$ 2,591,906</u>

City of Excelsior Springs, Missouri

Notes to Basic Financial Statements

Note 6. Interfund Balances and Transfers (Continued)

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service funds as debt service payments become due; (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Individual interfund receivables and payables were as follows:

	Due From	Due To
Parks and Recreation Fund	\$ 333,052	\$ -
Water Fund	611,661	-
Golf Fund	-	503,950
Nonmajor governmental funds	25,039	358,091
Nonmajor enterprise funds	-	107,711
	<u>\$ 969,752</u>	<u>\$ 969,752</u>

Interfund advances as of September 30, 2005, were as follows:

	Advance Receivables	Advance Payables
Business-type activities:		
Pollution control	\$ 70,000	\$ -
Golf	-	70,000
Total business-type activities	<u>\$ 70,000</u>	<u>\$ 70,000</u>

These interfund balances are a result of both operating transfers and temporary capital project funding. Advances are long-term interfund receivables/payables that are not expected to be fully paid within one year.

Primary government and component unit receivables and payables were as follows:

	Receivables	Payables
Agency Fund	\$ -	\$ 2,904,051
Component unit, City Hospital	2,904,051	-
Total	<u>\$ 2,904,051</u>	<u>\$ 2,904,051</u>

City of Excelsior Springs, Missouri

Notes to Basic Financial Statements

Note 7. Employee Retirement Systems

Plan description: The City of Excelsior Springs, Missouri 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 401a 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, MO 65102 or by calling 1-800-477-4334.

Funding status: The City of Excelsior Spring's full-time employees do not contribute to the pension plan. The political subdivision is required to contribute to an actuarially determined rate; the current rate is 1.5% (general), 1.1% (police) and 3.7% (fire) of annual covered payroll. The contribution requirements of plan members are determined by the governing body of the political subdivision. The contribution provisions of the political subdivision are established by state statute.

Annual pension cost: For 2005, the political subdivision's annual pension cost of \$68,160 was equal to the required and actual contributions. 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, and (d) pre-retirement mortality based on the 1983 Group Annuity Mortality table and (e) post-retirement mortality based on the 1971 Group Annuity Mortality Table projected to 2000 set back 1 year for men and 7 years for women. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The amortization period at February 28, 2005 was 15 years.

Fiscal Year Ending	Three-Year Trend Information		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/2003	\$ 70,347	100%	\$ -
09/30/2004	56,196	100	-
09/30/2005	68,160	100	-

City of Excelsior Springs, Missouri

Notes to Basic Financial Statements

Note 8. Contingencies

Legal matters: There are a number of claims and/or lawsuits to which the City is, or may be, 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's management and legal counsel anticipate that the potential claims against the City, if any, which are not covered by insurance, resulting from such matters would not materially affect the financial position of the City.

Professional malpractice insurance: The City Hospital is insured for medical malpractice claims under a commercial claims-made policy. City Hospital management does not believe that there are any unreported claims as of September 30, 2005 for which the City Hospital could be ultimately responsible if it did not renew its commercial claims-made policy.

Hospital net patient service revenues: The City Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the City Hospital and audits by the Medicare Fiscal Intermediary and the Medicaid Program. Estimated settlements have been reflected in the accompanying financial statements.

Note 9. Risk Management

The City is exposed to various risks of litigation and casualties. The City is insured for automobile liability, general liability, property damage, health claims and workers' compensation through a commercial carrier. The City has held sufficient coverage for the year ended September 30, 2005, and for each of the past three fiscal years.

Note 10. Net Patient Service Revenue

The City Hospital has agreements with third-party payers that provide for payments to the City Hospital at amounts different from its established rates. These payment arrangements include:

Medicare: Inpatient acute care services and outpatient services rendered to Medicare Program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient swingbed services are paid at prospectively determined rates that are based on the patient's acuity. On November 8, 2004, the City Hospital was designated as a Critical Access Hospital (CAH). Under this designation, the Hospital is paid on a cost reimbursement methodology. The Hospital is reimbursed for certain services at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medical Fiscal Intermediary. Estimated settlements have been reflected in the accompanying financial statements.

Medicaid: Inpatient and long-term care services rendered to Medicaid Program beneficiaries are reimbursed based upon a prospectively established per diem rate. Medicaid outpatient reimbursement is based on a prospective percentage payment rate determined from the fourth, fifth and sixth prior cost reports regressed forward. Subsequent to November 8, 2004 and the Hospital's conversion to a CAH, inpatient services rendered to Medicaid Program beneficiaries are reimbursed under a prospectively determined per diem rate. Outpatient services are reimbursed based upon the defined allowable cost. The Hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and auditor thereof by the Medicaid Fiscal Intermediary.

Approximately 59% and 53% of net patient service revenues are from participation in Medicare and state-sponsored Medicaid Programs for the years ended September 30, 2005 and 2004, respectively.

City of Excelsior Springs, Missouri

Notes to Basic Financial Statements

Note 10. Net Patient Service Revenue (Continued)

The City Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the City Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Note 11. Concentration of Credit Risk

The City Hospital is located in Excelsior Springs, Missouri. The City Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer agreements. The mix of receivables from patients and third-party payers as of September 30, 2005 and 2004 was:

	2005	2004
Medicare	\$ 836,203	\$ 529,729
Medicaid	221,765	207,953
Other third-party payers	649,669	610,638
Patients	845,395	719,711
	<u>2,553,032</u>	<u>2,068,031</u>
Less allowances for uncollectible accounts	675,724	480,000
	<u>\$ 1,877,308</u>	<u>\$ 1,588,031</u>

Note 12. New Pronouncements

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*, in the current year. This Statement established and modified disclosure requirements related to investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. As an element of interest rate risk, this Statement required certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. This Statement also established and modified disclosure requirements for deposit risks.

The GASB had issued several statements not yet implemented by the City of Excelsior Springs, Missouri. The statements which might impact the City are as follows:

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, will be effective for the City beginning with its year ending September 30, 2006. This Statement requires governments to report the effects of capital asset impairment in their financial statements when it occurs and requires all governments to account for insurance recoveries in the same manner.

GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued April 2004, will be effective for the City beginning with its year ending September 30, 2008. This statement establishes uniform financial reporting standards for other postemployment benefit plans (OPEB plans) and supercedes existing guidance.

City of Excelsior Springs, Missouri

Notes to Basic Financial Statements

Note 12. New Pronouncements (Continued)

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued June 2004, will be effective for the City beginning with its year ending September 30, 2009. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports.

GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*, an amendment of GASB Statement No. 34 will be effective for the City beginning with its year ending September 30, 2006. The purpose of Statement No. 46 is to help governments determine when net assets have been restricted to a particular use by the passage of enabling legislation and to specify how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation.

GASB Statement No. 47, *Accounting for Termination Benefits*, issued June 2005, will be effective for the City beginning with its year ending September 30, 2006. This Statement establishes accounting standards for termination benefits. In financial statements prepared on the accrual basis of accounting, employers should recognize a liability and expense for voluntary termination benefits (early retirement incentives) when the offer is accepted and the amount can be estimated. A liability for involuntary termination benefits (severance benefits) should be recognized when a plan of termination has been approved by those with the authority to commit the government to the plan, the plan has been communicated to the employees and the amount can be estimated. In financial statements prepared on the modified accrual basis of accounting, liabilities and expenditures for termination benefits should be recognized to the extent the liabilities are normally expected to be liquidated with expendable available financial resources.

The City's management has not yet determined the effect these Statements will have on the City's financial statements.

Note 13. Subsequent Event

In October 2005, City Council approved a project to improve the water treatment plant, specifically the lime slaker project. The total cost of the project is estimated to be \$530,996.

City of Excelsior Springs, Missouri

Required Supplementary Information
Missouri Local Government Employees Retirement System

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Liability	(b-a) Unfunded Accrued Liability (UAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	[(b-a)/c] UAL as a Percentage of Covered Payroll
02/28/2003	\$ 7,065,224	\$ 4,761,848	\$ (2,303,376)	148%	\$ 3,320,487	69.37%
02/29/2004	7,545,376	5,388,253	(2,157,123)	140	3,626,001	59.49
02/28/2005	7,908,094	5,853,556	(2,054,538)	135	3,685,931	55.74

Note: The above assets and actuarial 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 actuarial 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

Fiscal Year Ended	Annual Required Contributions (ARC) (a)	Total Contributions (b)	Percentage of ARC Contributed (b/a)
9/30/03	\$ 70,347	\$ 70,347	100%
9/30/04	56,196	56,196	100
9/30/05	68,160	68,160	100

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information as of the latest actuarial valuation follows:

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% a year, compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0% to 4.2% per year depending on age, attributable to seniority/merit, (d) pre-retirement mortality based on the 1983 Group Annuity Mortality table and (e) post-retirement 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 as of February 28, 2005 was 15 years.

City of Excelsior Springs, Missouri

Combining Balance Sheet
 Nonmajor Governmental Funds
 September 30, 2005

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,747,664	\$ -	\$ 379,927	\$ 2,127,591
Investments	644,774	-	-	644,774
Receivables, net of allowance for uncollectibles:				
Property taxes	137,001	-	-	137,001
Other	32,104	-	-	32,104
Due from other governments	590,298	-	-	590,298
Due from other funds	25,039	-	-	25,039
Restricted cash and cash equivalents	-	729,062	-	729,062
Total assets	\$ 3,176,880	\$ 729,062	\$ 379,927	\$ 4,285,869
Liabilities and Fund Equity				
Liabilities:				
Accounts payable and accrued expenses	\$ 11,431	\$ -	\$ -	\$ 11,431
Due to other funds	358,091	-	-	358,091
Deferred revenue	137,001	-	-	137,001
Total liabilities	506,523	-	-	506,523
Fund equity:				
Reserved for debt service	-	729,062	-	729,062
Unreserved	2,670,357	-	379,927	3,050,284
Total fund equity	2,670,357	729,062	379,927	3,779,346
Total liabilities and fund equity	\$ 3,176,880	\$ 729,062	\$ 379,927	\$ 4,285,869

City of Excelsior Springs, Missouri

Combining Balance Sheet
 Nonmajor Special Revenue Funds
 September 30, 2005

	Neighborhood Improvement District	Community Development Block Grant	Transportation Trust	Capital Improvements	Tax Increment Financing- Price Chopper
Assets					
Cash and cash equivalents	\$ 1,404	\$ -	\$ 578,191	\$ 246,468	\$ 403,960
Investments	-	-	-	644,774	-
Receivables, net of allowance for uncollectibles:					
Property taxes	89,625	-	-	-	13,457
Other	2,403	2,296	-	1,949	-
Due from other governments	-	340,229	90,962	94,366	23,755
Due from other funds	-	-	-	25,039	-
Total assets	\$ 93,432	\$ 342,525	\$ 669,153	\$ 1,012,596	\$ 441,172
Liabilities and Fund Equity (Deficit)					
Liabilities:					
Accounts payable and accrued expenses	\$ -	\$ -	\$ -	\$ 2,409	\$ -
Due to other funds	-	333,052	-	-	-
Deferred revenue	89,625	-	-	-	13,457
Total liabilities	89,625	333,052	-	2,409	13,457
Fund equity (deficit), unreserved	3,807	9,473	669,153	1,010,187	427,715
Total liabilities and fund equity (deficit)	\$ 93,432	\$ 342,525	\$ 669,153	\$ 1,012,596	\$ 441,172

Tax Increment Financing-Wal-Mart/Elms	E-911 Phone Tax	Capital Improvements E-911 Tax	Tax Increment Financing-Paradise Playhouse	Tax Increment Financing-Vintage Development	Public Safety Sales Tax	Total
\$ 221,388	\$ 209,766	\$ 86,226	\$ 261	\$ -	\$ -	\$ 1,747,664
-	-	-	-	-	-	644,774
29,363	-	-	4,366	190	-	137,001
-	25,456	-	-	-	-	32,104
35,896	-	-	115	-	4,975	590,298
-	-	-	-	-	-	25,039
<u>\$ 286,647</u>	<u>\$ 235,222</u>	<u>\$ 86,226</u>	<u>\$ 4,742</u>	<u>\$ 190</u>	<u>\$ 4,975</u>	<u>\$ 3,176,880</u>
\$ -	\$ 4,569	\$ -	\$ 261	\$ 4,192	\$ -	\$ 11,431
-	-	-	-	25,039	-	358,091
29,363	-	-	4,366	190	-	137,001
<u>29,363</u>	<u>4,569</u>	<u>-</u>	<u>4,627</u>	<u>29,421</u>	<u>-</u>	<u>506,523</u>
257,284	230,653	86,226	115	(29,231)	4,975	2,670,357
<u>\$ 286,647</u>	<u>\$ 235,222</u>	<u>\$ 86,226</u>	<u>\$ 4,742</u>	<u>\$ 190</u>	<u>\$ 4,975</u>	<u>\$ 3,176,880</u>

City of Excelsior Springs, Missouri

Combining Balance Sheet
Nonmajor Debt Service Funds
September 30, 2005

	Debt Service	Tax Increment Financing- Price Chopper	Tax Increment Financing- Wal-Mart/Elms	Total
Assets, restricted cash and cash equivalents	\$ 438,457	\$ 349	\$ 290,256	\$ 729,062
Fund equity, reserved for debt service	\$ 438,457	\$ 349	\$ 290,256	\$ 729,062

City of Excelsior Springs, Missouri

Combining Balance Sheet
Nonmajor Capital Projects Funds
September 30, 2005

	Capital Equipment	Tax Increment Financing- Price Chopper Project	Tax Increment Financing- Wal-Mart/Elms Project	Total
Assets, cash and cash equivalents	\$ 318,763	\$ 50,000	\$ 11,164	\$ 379,927
Fund equity, unreserved	\$ 318,763	\$ 50,000	\$ 11,164	\$ 379,927

City of Excelsior Springs, Missouri

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended September 30, 2005

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
Revenues:				
Taxes	\$ 2,436,181	\$ -	\$ -	\$ 2,436,181
Intergovernmental revenues	37,323	-	-	37,323
Special assessment fees	93,690	-	-	93,690
Investment earnings	67,191	3,160	471	70,822
Total revenues	2,634,385	3,160	471	2,638,016
Expenditures:				
Current:				
General government	15,124	-	-	15,124
Public safety	30,762	-	-	30,762
Public works	157,353	-	-	157,353
Recreational activities	53,680	-	-	53,680
Community betterment	601,486	-	7,221	608,707
Capital outlay	8,533	-	-	8,533
Debt service:				
Principal	-	734,708	-	734,708
Interest	-	276,504	-	276,504
Trustee and issuance fees	-	7,276	-	7,276
Total expenditures	866,938	1,018,488	7,221	1,892,647
Excess of revenues over (under) expenditures	1,767,447	(1,015,328)	(6,750)	745,369
Other financing sources (uses):				
Transfers in	-	1,015,455	50,000	1,065,455
Transfers out	(1,638,841)	-	(84,152)	(1,722,993)
Total other financing sources (uses)	(1,638,841)	1,015,455	(34,152)	(657,538)
Net change in fund balances	128,606	127	(40,902)	87,831
Fund balances, beginning	2,541,751	728,935	420,829	3,691,515
Fund balances, ending	\$ 2,670,357	\$ 729,062	\$ 379,927	\$ 3,779,346

City of Excelsior Springs, Missouri

**Combining Statement of Revenues, Expenditures and
Changes in Fund Balances (Deficit) - Nonmajor Special Revenue Funds
Year Ended September 30, 2005**

	Neighborhood Improvement District	Community Development Block Grant	Transportation Trust	Capital Improvements
Revenues:				
Taxes	\$ -	\$ -	\$ 613,654	\$ 646,190
Intergovernmental revenues	-	37,323	-	-
Special assessment fees	93,690	-	-	-
Investment earnings	3,260	-	11,674	23,398
Total revenue	96,950	37,323	625,328	669,588
Expenditures:				
Current				
General government	-	-	2,476	11,786
Public safety	-	-	-	41
Public works	-	18,489	100	138,764
Recreational activities	-	-	-	53,680
Community betterment	-	15,620	-	6,713
Capital outlay	-	-	-	-
Total expenditures	-	34,109	2,576	210,984
Excess of revenue over (under) expenditures	96,950	3,214	622,752	458,604
Other financing sources (uses), transfers out	(93,211)	(3,214)	(513,008)	(434,977)
Net change in fund balance	3,739	-	109,744	23,627
Fund balances (deficit), beginning	68	9,473	559,409	986,560
Fund balances (deficit), ending	\$ 3,807	\$ 9,473	\$ 669,153	\$ 1,010,187

Tax Increment Financing- Price Chopper	Tax Increment Financing- Wal-Mart/Elms	E-911 Phone Tax	Capital Improvements E-911 Tax	Tax Increment Financing- Paradise Playhouse	Tax Increment Financing- Vintage Development	Public Safety Sales Tax	Total
\$ 386,493	\$ 644,148	\$ 106,692	\$ -	\$ 32,607	\$ 1,422	\$ 4,975	\$ 2,436,181
-	-	-	-	-	-	-	37,323
-	-	-	-	-	-	-	93,690
10,438	12,416	4,160	1,345	-	-	-	67,191
396,931	656,564	110,852	1,345	32,607	1,422	4,975	2,634,388
-	-	862	-	-	-	-	15,124
-	-	28,166	2,555	-	-	-	30,762
-	-	-	-	-	-	-	157,353
-	-	-	-	-	-	-	53,680
179,829	356,165	-	-	34,767	8,392	-	601,486
-	-	2,855	5,678	-	-	-	8,533
179,829	356,165	31,883	8,233	34,767	8,392	-	866,938
217,102	300,399	78,969	(6,388)	(2,160)	(6,970)	4,975	1,767,447
(224,611)	(335,000)	(34,820)	-	-	-	-	(1,633,841)
(7,509)	(34,601)	44,149	(6,388)	(2,160)	(6,970)	4,975	128,606
435,224	291,885	186,504	92,614	2,275	(22,261)	-	2,541,751
\$ 427,715	\$ 257,284	\$ 230,653	\$ 86,226	\$ 115	\$ (29,231)	\$ 4,975	\$ 2,670,357

City Of Excelsior Springs, Missouri

Combining Statement of Revenues, Expenditures and
Changes in Fund Balances (Deficit) - Nonmajor Debt Service Funds
Year Ended September 30, 2005

	Debt Service	Tax Increment Financing- Price Chopper	Tax Increment Financing- Wal-Mart/Elms	Total
Revenues, investment earnings	\$ 2,819	\$ -	\$ 341	\$ 3,160
Expenditures, debt service:				
Principal	294,708	180,000	260,000	734,708
Interest	161,128	28,273	87,103	276,504
Trustee and issuance fees	2,711	2,580	1,985	7,276
Total expenditures	458,547	210,853	349,088	1,018,488
Excess of revenues (under) expenditures	(455,728)	(210,853)	(348,747)	(1,015,328)
Other financing sources, transfers in	455,844	224,611	335,000	1,015,455
Net change in fund balance	116	13,758	(13,747)	127
Fund balances (deficit), beginning	438,341	(13,409)	304,003	728,935
Fund balances, ending	\$ 438,457	\$ 349	\$ 290,256	\$ 729,062

City of Excelsior Springs, Missouri

**Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Nonmajor Capital Projects Funds
Year Ended September 30, 2005**

	Capital Equipment	Tax Increment Financing- Price Chopper	Tax Increment Financing- Wal-Mart/Elms	Total
Revenue, investment earnings	\$ 471	\$ -	\$ -	\$ 471
Expenditures, current, community betterment	-	-	7,221	7,221
Excess of revenues over (under) expenditures	471	-	(7,221)	(6,750)
Other financing sources (uses):				
Transfers in	50,000	-	-	50,000
Transfers out	(84,152)	-	-	(84,152)
Total other financing sources (uses)	(34,152)	-	-	(34,152)
Net change in fund balance	(33,681)	-	(7,221)	(40,902)
Fund balances, beginning	352,444	50,000	18,385	420,829
Fund balances, ending	\$ 318,763	\$ 50,000	\$ 11,164	\$ 379,927

City of Excelsior Springs, Missouri

Combining Statement of Net Assets (Deficit)
 Nonmajor Enterprise Funds
 September 30, 2005

Assets	Airport	Refuse	Total
Current assets:			
Cash and cash equivalents	\$ -	\$ 160,093	\$ 160,093
Accounts receivable, net of allowance for uncollectibles	-	28,757	28,757
Total current assets	-	188,850	188,850
Noncurrent assets:			
Land	50,000	-	50,000
Buildings and improvements	48,624	-	48,624
Total capital assets	98,624	-	98,624
Less accumulated depreciation	37,523	-	37,523
Total noncurrent assets	61,101	-	61,101
Total assets	\$ 61,101	\$ 188,850	\$ 249,951
Liabilities and Fund Equity (Deficit)			
Current liabilities:			
Due to other funds	\$ 107,711	\$ -	\$ 107,711
Accounts payable and accrued expenses	-	27,965	27,965
Total current liabilities	107,711	27,965	135,676
Net assets (deficit):			
Invested in capital assets, net of related debt	61,101	-	61,101
Unrestricted	(107,711)	160,885	53,174
Total net assets (deficit)	(46,610)	160,885	114,275
Total liabilities and net assets (deficit)	\$ 61,101	\$ 188,850	\$ 249,951

City of Excelsior Springs, Missouri

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets (Deficit)
 Nonmajor Enterprise Funds
 Year Ended September 30, 2005

	Airport	Refuse	Total
Operating revenues:			
Charges for services	\$ -	\$ 370,127	\$ 370,127
Rental income	4,800	-	4,800
Total operating revenues	4,800	370,127	374,927
Operating expenses:			
Contractual and professional services	-	316,079	316,079
Insurance	2,770	-	2,770
Supplies and materials (administrative)	-	5,123	5,123
Depreciation	317	-	317
Total operating expenses	3,087	321,202	324,289
Operating income	1,713	48,925	50,638
Nonoperating revenue, investment earnings	-	3,310	3,310
Income before transfers	1,713	52,235	53,948
Transfers out	-	(44,727)	(44,727)
Change in net assets	1,713	7,508	9,221
Total net assets (deficit), beginning	(48,323)	153,377	105,054
Total net assets (deficit), ending	<u>\$ (46,610)</u>	<u>\$ 160,885</u>	<u>\$ 114,275</u>

City of Excelsior Springs, Missouri

Combining Statement of Cash Flows
 Nonmajor Enterprise Funds
 Year Ended September 30, 2005

	Airport	Refuse	Total
Cash Flows from Operating Activities:			
Cash collected from customers	\$ 4,800	\$ 371,868	\$ 376,668
Cash paid to suppliers for goods and services	(2,770)	(293,488)	(296,258)
Net cash provided by operating activities	2,030	78,380	80,410
Cash Flows from Noncapital Financing Activities:			
Transfers out	-	(44,727)	(44,727)
Interfund payments	(2,030)	-	(2,030)
Net cash (used in) noncapital financing activities	(2,030)	(44,727)	(46,757)
Cash Flows from Investing Activities, interest income	-	3,310	3,310
Net increase in cash and cash equivalents	-	36,963	36,963
Cash and cash equivalents:			
Beginning	-	123,130	123,130
Ending	\$ -	\$ 160,093	\$ 160,093
Reconciliation of Operating Income to Net Cash			
Provided by Operating Activities:			
Operating income	\$ 1,713	\$ 48,925	\$ 50,638
Depreciation	317	-	317
Decrease in accounts receivable	-	1,741	1,741
Increase in accounts payable and accrued expenses	-	27,714	27,714
Net cash provided by operating activities	\$ 2,030	\$ 78,380	\$ 80,410

City of Excelsior Springs, Missouri

Combining Statement of Assets and Liabilities - Agency Funds

September 30, 2005

Assets	Hospital	Payroll	Road District	Total
Cash and cash equivalents	\$ 2,896,470	\$ 54,385	\$ 93,302	\$ 3,044,157
Taxes receivable	206,149	-	-	206,149
Total assets	\$ 3,102,619	\$ 54,385	\$ 93,302	\$ 3,250,306
Liabilities				
Accounts payable	\$ -	\$ 54,385	\$ -	\$ 54,385
Deferred revenue	198,568	-	-	198,568
Due to component unit	2,904,051	-	-	2,904,051
Due to other governments	-	-	93,302	93,302
Total liabilities	\$ 3,102,619	\$ 54,385	\$ 93,302	\$ 3,250,306